

# DIVIDER

STATE OF NORTH DAKOTA  
INFORMATION TECHNOLOGY DEPARTMENT  
SFN 2053 (4-2002)

PU-2779-02-452  
Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience & Nece  
Filed 8/23/2002      Closed 12/5/2002

02

## DESCRIPTION



# Public Service Commission

State of North Dakota

## COMMISSIONERS

Susan E. Wefald, President  
Leo M. Reinbold  
Anthony T. Clark

Executive Secretary  
Jon H. Mielke

600 E Boulevard Ave. Dept. 408  
Bismarck, North Dakota 58505-0480  
web: [www.psc.state.nd.us](http://www.psc.state.nd.us)  
e-mail: [sab@psc.state.nd.us](mailto:sab@psc.state.nd.us)  
TDD 800-366-6888  
Fax 701-328-2410  
Phone 701-328-2400

November 8, 2002

Mr. Dean Winkjer  
P.O. Box 1261  
Williston, North Dakota 58802-1261

Dear Mr. Winkjer *Dean -*

Thank you for your letter of 28 October 2002 concerning Citizen's sale of the Williston telephone exchange to a subsidiary of Nemont Telephone Cooperative. Your letter will be placed in the public input file in this proceeding.

In your letter you question which subsidiary of Nemont will have control of the Williston exchange and what process Williston residents will have to question or inquire about quality of service. The application of a Certificate of Public Convenience and Necessity for the Williston Exchange was made by Missouri Valley Communications, Inc., a for-profit subsidiary created by Nemont specifically to purchase the Williston exchange. This subsidiary will have full responsibility for all aspects of telephone service in the purchased exchange, including quality of service. Customer inquiries can be made to its offices in Williston. Customers will also be able to turn to the Commission, as the new company will be jurisdictionally treated similar to other larger non-cooperative telephone companies.

You ask which Board of Directors will govern the North Dakota business and you ask the Commission to require Nemont to identify who will become members of the cooperative. It is our understanding that since the North Dakota business will be run by a for-profit subsidiary of the cooperative, no Williston customers will be members of the cooperative. They will simply be customers of the subsidiary and will not have a representative on the cooperative board of directors and will not be entitled to any distributions from the cooperative.

It is our understanding that Nemont intends to invest profits from the Williston exchange back into the Williston exchange, as it has done in modernizing other exchanges it has purchased.

You reference the Minot situation in your letter. When SRT initially bought the exchanges served by Minot Telephone, the customers of the Minot Telephone exchanges were not members of the cooperative, but rather customers of the for-profit subsidiary of the cooperative. Later, the cooperative decided to incorporate the

Mr. Dean Winkler  
Page 2  
November 8, 2002

subsidiary into the cooperative, and Minot customers became members of the cooperative. This was a decision of the cooperative. If Nemont eventually incorporates one or more of its subsidiaries into the cooperative, it will be the cooperative's decision.

As an aside, I found it unfortunate in the Minot situation that the cooperative did not desire to give those new Minot "members" proportional representation on the board. Effectively, the citizens of Minot were left without state protection of a monopoly provided essential service, yet they were also denied a fair voice in the cooperative. I personally oppose such gaming of the regulatory system and hope the legislature closes this loophole at some point.

Your final question concerns the right of cross examination and the impact of late-filed exhibits on that right. Late filed exhibits must be served on all parties to a proceeding, not just filed with the Commission. If any party to the proceeding wishes to cross examine a witness about a late-filed exhibit, that party has a right under N.D.C.C. chapter 28-32 to do so.

I hope this has been of some help to you. If you have any further questions, please do not hesitate to call or write.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Clark". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Tony Clark  
Commissioner

*Dean Winkjer*

*P. O. Box 1261  
Williston, North Dakota 58802-1261  
Office: (701) 577-0270  
Home: (701) 577-2276*

October 28, 2002

The Honorable Tony Clark  
Public Service Commission  
State of North Dakota  
600 E Boulevard Avenue, Dept. 408  
Bismarck, ND 58505-0480

Dear Commissioner Clark:

I attended the first hour and a half of the Hearing wherein one of the conglomerates from Northeastern Montana Telephone was applying for permission to acquire Citizens Telephone Services - Williston.

While I certainly support virtually anyone who would replace Citizens as they have produced the most dismal record of providing telephone service in my lifetime and I might remind you that my initial experience was with the magneto systems which did not have a good reputation, but in many ways, it was better than what Citizens had provided.

I was acquainted with Nemont from the very early days of the formation of the cooperative telephone movement which brought rural telephone service to those areas of North Dakota which the commercial companies stated they could not afford to serve. They were then served by farmer-owned mutual telephone companies and provided excellent service until the installation of parallel electrical lines created so much static that they became useless.

There were a couple aspects of that Hearing that I think that the Commission should place the Nemont in the position of choosing which of the many subsidiary companies will be in actual control of this system and what governance will be appropriate for the Williston residents to communicate relative to the quality of service. I could not help but think during the Hearing that they had more subsidiaries than Enron.

I believe that they ought to be required inasmuch as the nucleus of their system originated as a cooperative and continues to exist as a cooperative, to stipulate which Board of Directors will have the responsibility to govern their activities in North Dakota. I believe that the Commission should require them to identify who will become members of this organization, and if they are true to their cooperative origin, they will designate that all subscribers of the telephone system will be entitled to vote at their annual meetings and will be entitled to capital

*Public Input File*

The Honorable Tony Clark  
October 28, 2002

credits on the basis of margins earned. I felt that the witness for Northeastern Montana was not well informed of the cooperative aspects of the telephone industry when he referred to "profits" rather than "margins" and that capital credits became profits with no plan to distribute those profits to those who earned them.

You may remember the contentious problems that arose when one of the rural telephone companies in North Dakota purchased the Minot exchange through a subsidiary and then were ultimately, as a result of public opinion and Commission pressure, forced to recognize the Minot subscriber as a member of the cooperative that was entitled to capital credits. I am not positive they agreed to full membership or capital credits; I do know, however, it was very contentious.

The management suggested that the profits would all be poured back into the exchanges from which they originated. That is a very noble position. Would they also follow that the \$40 million equity that they indicated that they now possess would be ploughed back into the territory from which it was earned, or would it be distributed to a select few of the stockholders who would bear the favor of the Board of Directors. It used to be a requirement to file with the Commission the Articles of Incorporation and By Laws of the applicant and to require that the Commission is kept current with any amendments.

I believe that these are issues that all should be considered and that interrogatories should be submitted to the applicants for their answers. I further believe the acceptance of "delayed" exhibits forecloses on interested parties their right to examine and cross-examine the witness on that document.

My only position in this matter is not as an attorney, nor do I represent anyone other than myself, who is a resident and a subscriber of this telephone service.

Sincerely,

DEAN WINKJER



DW/mh

**Helbling, Sharon D.**

---

**From:** Helbling, Sharon D.  
**Sent:** Tuesday, October 15, 2002 9:19 AM  
**To:** Comm; Legal; PUD  
**Subject:** Sale of Williston, Watford City and Alexander Exchanges

**A gentleman called yesterday morning to state he has no objection to the sale as long as the new company continues to provide the same services at the same rates they are getting now. He did not leave his name.**

10/15/2002



# Public Service Commission

State of North Dakota

## COMMISSIONERS

Tony Clark, President  
Leo M. Reinbold  
Susan E. Wefald

Executive Secretary  
Jon H. Mielke

600 E Boulevard Ave. Dept. 408  
Bismarck, North Dakota 58505-0480  
web: [www.psc.state.nd.us](http://www.psc.state.nd.us)  
e-mail: [sab@psc.state.nd.us](mailto:sab@psc.state.nd.us)  
TDD 800-366-6888  
Fax 701-328-2410  
Phone 701-328-2400

April 11, 2003

Ronald C. Ostberg  
Missouri Valley Communications Inc  
P O Box 600  
Scobey MT 59263-0600

Dear Mr. Ostberg:

On April 1, 2003, the Commission issued Certificate of Public Convenience and Necessity No. 4938 to Missouri Valley Communications, Inc. to provide facilities-based local exchange telecommunications services in the Williston, North Dakota exchange, Case No. PU-2779-02-452. The original certificate is enclosed for your files.

If you have any questions, please call me at 701-328-4076.

Sincerely,

A handwritten signature in cursive script that reads "Sharon Helbling".

Sharon Helbling  
Public Utilities Division

Sdh

**Public Service Commission**  
**STATE OF NORTH DAKOTA**

**Certificate of Public Convenience and Necessity**

**Certificate Number 4938**

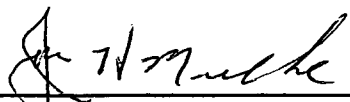
*This is to certify that public convenience and necessity require, and permission is granted for Missouri Valley Communications, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Williston, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-2779-02-452 and is conditioned upon Missouri Valley Communications, Inc. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges and other conditions and limitations noted in the Order dated December 4, 2002.*

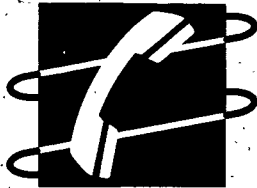
*Bismarck, North Dakota, April 1, 2003.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
\_\_\_\_\_  
**Executive Secretary**

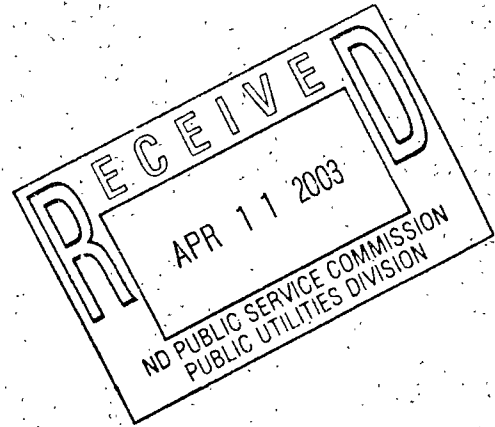
  
\_\_\_\_\_  
**Commissioner**



**Missouri Valley**  
**Communications, INC.**

TOTAL TELECOMMUNICATIONS

April 9, 2003



Mr. Jon Mielke  
Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505-0480

**Re: Certificate of Public Convenience and Necessity**

Dear Mr. Mielke:

This letter is a formal request of the North Dakota Public Service Commission to issue a Certificate of Public Convenience and Necessity to Missouri Valley Communications, Inc. for the operation of the Williston exchange.

The successful change of control and operation of the Williston exchange was completed at 12:01 am on April 1<sup>st</sup>, 2003. The exchange of ownership was made from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota) to Missouri Valley Communications, Inc.

If you have any questions, or need additional information, please do not hesitate to contact me at 1-406-783-5654.

Thanks for your consideration.

Sincerely,

Ronald C. Ostberg  
Government Relations

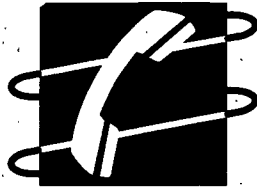
32    **PU-2779-02-452**    Pages: 1

Request for PC&N

by Missouri Valley Communications, Inc.

04/11/2003

CC: Comm Legal Ilona Jerry



**Missouri Valley**  
**Communications, INC.**

TOTAL TELECOMMUNICATIONS

March 27, 2003



Mr. Jon Mielke  
Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505

Dear Mr. Mielke:

Enclosed are copies of letters sent to the holders of Interconnection Agreements that are currently in effect with Citizens. Missouri Valley Communications, Inc. (MVC), will honor the current Interconnection Agreement that is in place until a new Agreement can be negotiated.

If you have any questions, please do not hesitate to contact me at 1-406-783-5654.

Sincerely,

Ronald C. Ostberg  
Government Relations

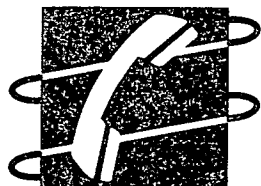
31 PU-2779-02-452

Pages: 12

Copy of letters sent to current holders of  
Interconnection Agreements w/Citizens  
by Missouri Valley Communications, Inc.

03/31/2003

CC: Comm Legal Ilona Jerry



**Missouri Valley**  
Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Mr. Gene DeJordy  
Western Wireless  
3650 131<sup>st</sup> Avenue SE  
Suite 400  
Bellevue, Washington 98006



**Re: Interconnection Agreement**

Dear Mr. DeJordy:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01am on April 1, 2003.**

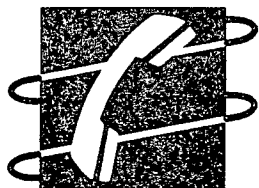
MVCI will honor the current Interconnection Agreement that is in place between Citizens and Western Wireless until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505



# Missouri Valley Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Mr. Bob Hill  
Skyland Technologies, Inc.  
P.O. Box 939  
111 East Broadway  
Williston, North Dakota 58802



**Re: Interconnection Agreement**

Dear Mr. Hill:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01am on April 1, 2003.**

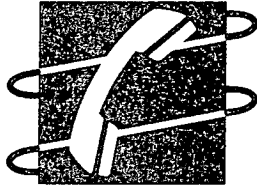
MVCI will honor the current Interconnection Agreement that is in place between Citizens and Skyland Technologies, Inc. until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505

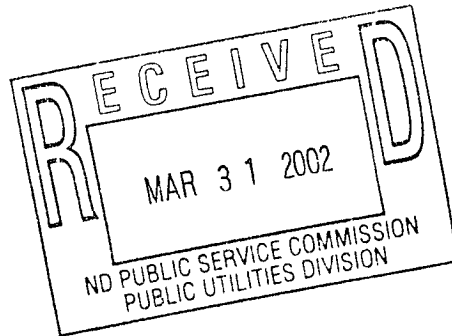


**Missouri Valley**  
Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Ms. Mary Goodman  
U S Link  
30925 Second Street  
P.O. Box 327  
Pequot Lake, MN 56472-0327



**Re: Interconnection Agreement**

Dear Ms. Goodman:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01am on April 1, 2003.**

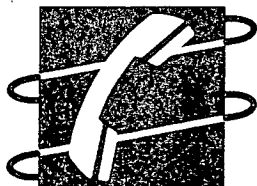
MVCI will honor the current Interconnection Agreement that is in place between Citizens and U S Link, Inc. until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505



# Missouri Valley Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Ms. Mary Lohnes  
Midcontinent Communications  
5001 West 41<sup>st</sup> Street  
Sioux Falls, South Dakota 57106



**Re: Interconnection Agreement**

Dear Ms. Lohnes:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01am on April 1, 2003.**

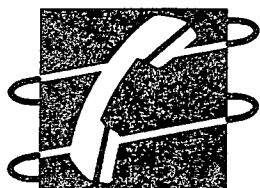
MVCI will honor the current Interconnection Agreement that is in place between Citizens and Midcontinent Communications until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505

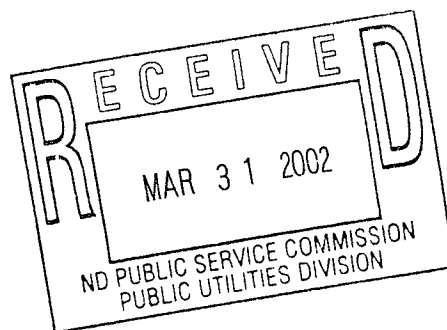


# Missouri Valley Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Mr. L. Dan Wilhelmson  
Consolidated Communications  
507 South Main  
P.O. Box 1408  
Dickinson, North Dakota 58601



**Re: Interconnection Agreement**

Dear Mr. Wilhelmson:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01am on April 1, 2003.**

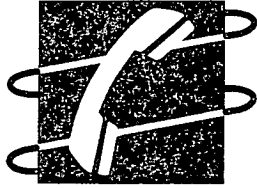
MVCI will honor the current Interconnection Agreement that is in place between Citizens and Consolidated Communications until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505

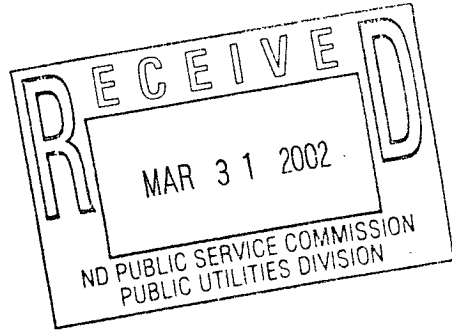


# Missouri Valley Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Ms. Deborah Harwood  
Integra Telecom, Inc.  
19545 NW Neumann Drive  
Suite 200  
Beaverton, OR 97006-6902



**Re: Interconnection Agreement**

Dear Ms. Harwood:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01am on April 1, 2003.**

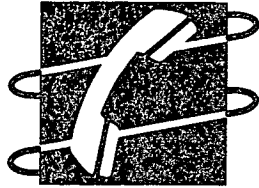
MVCI will honor the current Interconnection Agreement that is in place between Citizens and Integra Telecom, Inc. until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505

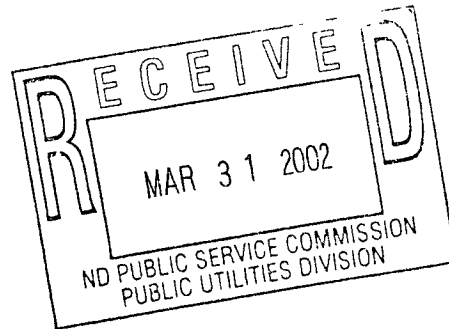


# Missouri Valley Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Mr. Roy Harsila  
CommSouth Companies, Inc.  
6830 Walling Lane  
Dallas, Texas 75231



**Re: Interconnection Agreement**

Dear Mr. Harsila:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01am on April 1, 2003.**

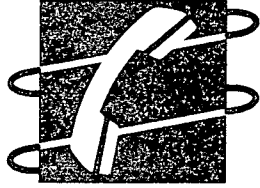
MVCI will honor the current Interconnection Agreement that is in place between Citizens and CommSouth Companies, Inc. until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505

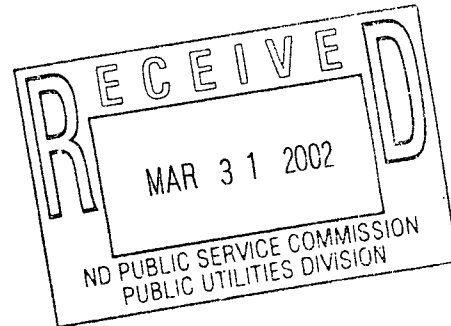


# Missouri Valley Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Mr. Gerry Anderson  
Mid-Rivers Telephone Cooperative, Inc.  
P.O. Box 280  
Circle, Montana 59215



**Re: Interconnection Agreement**

Dear Mr. Anderson:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01am on April 1, 2003.**

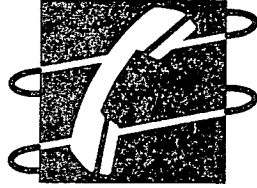
MVCI will honor the current Interconnection Agreement that is in place between Citizens and Mid-Rivers Telephone Cooperative, Inc. until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505



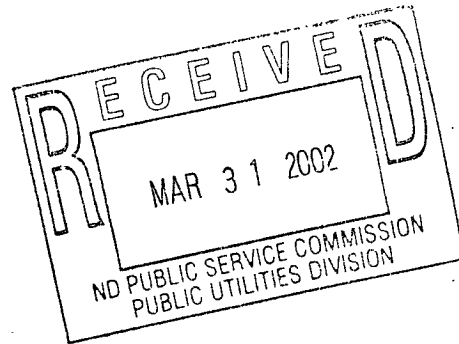
# Missouri Valley Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Mr. Warren Hight  
North Dakota Network Company  
3615 North Broadway  
Minot, North Dakota 58702

**Re: Interconnection Agreement**



Dear Mr. Hight:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01am on April 1, 2003.**

MVCI will honor the current Interconnection Agreement that is in place between Citizens and North Dakota Network Company until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505

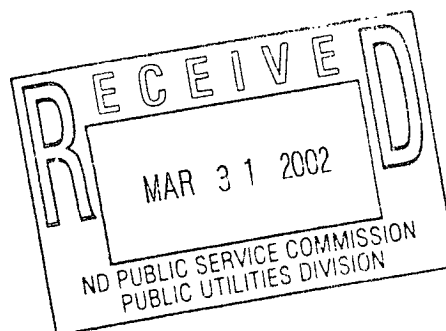


Missouri Valley  
Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Ms. Mary Bacigalupi  
Cellular Partnership, d/b/a Verizon Wireless  
2775 Mitchell Drive, MS 7-1  
Walnut Creek, CA 94598



**Re: Interconnection Agreement**

Dear Ms. Bacigalupi:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01am on April 1, 2003.**

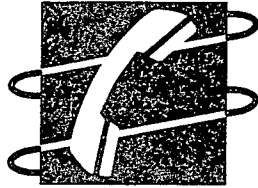
MVCI will honor the current Interconnection Agreement that is in place between Citizens and Cellular Partnership, d/b/a Verizon Wireless until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505



# Missouri Valley Communications, INC.

TOTAL TELECOMMUNICATIONS

March 27, 2003

Mr. Brad VanLeur  
Firstel, Inc.  
Sales and Marketing Director  
110 South Phillips, Suite 202  
Souix Falls, South Dakota 57102



**Re: Interconnection Agreement**

Dear Mr. VanLeur:

Missouri Valley Communications, Inc. (MVCI) of Scobey, Montana, has received the necessary State and Federal approvals to complete the purchase of the Williston, North Dakota exchange from Frontier, a Citizens Communications Company (d/b/a Citizens Telecommunications Company of North Dakota). **The closing and change of control will take place as of 12:01 am on April 1, 2003.**

MVCI will honor the current Interconnection Agreement that is in place between Citizens and Firstel, Inc. until a new Agreement can be negotiated. The NPA/NXX numbers included in the Williston exchange are 701-774 and 701-572.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kathy P. Greenwood  
Finance and Accounting Manager  
Missouri Valley Communications, Inc.  
P.O. Box 600  
Scobey, Montana 59263  
Phone 1-406-783-5654

Cc: Jon Mielke, Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard  
Bismarck, North Dakota 58505



Public Service Commission  
Receipt of Payment

Receipt# 5257

Received: 2/5/2003 Check# 108335 for \$95.72  
Subject: Utility Valuation - pd for Missouri Valley Comm

**Docket # PU-2779-02-452**

Nemont Telephone Cooperative, Inc.

Scobey MT 59263

30 **PU-2779-02-452**

Pages: 1

Receipt# 5,257 \$95.72

by Nemont Telephone Cooperative, Inc.

02/05/2003

**APPROVED**

DATE: 1-15-03  
KMF

MOTION

January 15, 2003

Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience & Necessity

Case No. PU-2779-02-452

I move the Commission bill Missouri Valley Communications, Inc. for costs incurred to date in Case No. PU-2779-02-452, Missouri Valley Communications, Inc., Local Exchange, Public Convenience & Necessity.



Public Service Commission  
State of North Dakota

COMMISSIONERS

Susan E. Wefald, President  
Leo M. Reinbold  
Anthony T. Clark

Executive Secretary  
Jon H. Mielke

600 E Boulevard Ave. Dept. 408  
Bismarck, North Dakota 58505-0480  
web: www.psc.state.nd.us  
e-mail: sab@psc.state.nd.us  
TDD 800-366-6888  
Fax 701-328-2410  
Phone 701-328-2400

January 15, 2003

Patrick W Durick  
Pearce & Durick  
PO Box 400  
Bismarck ND 58502-0400

RE: Case No. PU-2779-02-452  
Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience & Necessity

Enclosed is a copy of the statement approved at the January 15, 2003 Public Service Commission meeting for the expenses incurred to date in Case No. PU-2779-02-452.

Under N.D.C.C. 49-21-01.7, these expenses are billed through the Valuation Fund and must be paid for by the telecommunications company involved.

Please make your check payable to the *Public Service Commission*.

Sincerely,

Gloria Geiger  
Admin Staff Officer  
701-328-2401

Enc.

c: Richard Thronson  
Missouri Valley Communications Inc  
PO Box 600  
Scobey MT 59263-0600

# Billing Statement

January 15, 2003

Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience & Necessity

Case No. PU-2779-02-452

## Bill To:

Missouri Valley Communications, Inc.....\$95.72

## Expenses Incurred to Date:

Advertising Costs .....\$31.53  
Hearing Expenses.....64.19

## Send Payment and a Copy of this Statement To:

Public Service Commission  
600 E Boulevard Ave Dept 408  
Bismarck ND 58505-0480

**Federal Tax ID 45-0309764**

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

Missouri Valley Communications, Inc.  
Designated Eligible Carrier  
Application

Case No. PU-2779-02-451

Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience and Necessity

Case No. PU-2779-02-452

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **5th day of December, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Order

The envelopes were addressed as follows:

Patrick W Durick  
Pearce & Durick  
P O Box 400  
Bismarck ND 58502-0400  
Cert. No. 7001 1940 0005 3425 2238

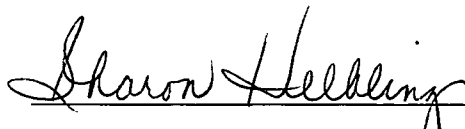
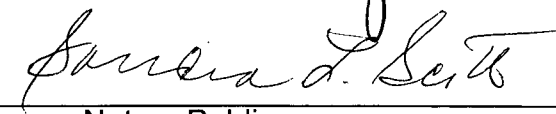
Richard Thronson  
Missouri Valley Communications Inc  
P O Box 600  
Scobey MT 59263-0600  
Cert. No. 7001 1940 0005 3425 2245

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **5th day of December, 2002**.

SANDRA L. SCOTT  
Notary Public, STATE OF NORTH DAKOTA  
My Commission Expires JUNE 11, 2004

SEAL

  
\_\_\_\_\_  
  
\_\_\_\_\_  
Notary Public

**APPROVED**

DATE: 12-4-02  
KMF

**MOTION**

**December 4, 2002**

**Missouri Valley Communications, Inc.  
Designated Eligible Carrier  
Application**

**Case No. PU-2779-02-451**

**Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-2779-02-452**

I move the Commission adopt the Order approving the application of Missouri Valley Communications, Inc. for a certificate of public convenience and necessity to provide incumbent local exchange telecommunications service and for designation as eligible telecommunications carrier for the Williston exchange, Case Nos. PU-2779-02-451 and PU-2779-02-452.

JRL/sdh

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Missouri Valley Communications, Inc.  
Designated Eligible Carrier  
Application

Case No. PU-2779-02-451

Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience and Necessity

Case No. PU-2779-02-452

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

December 4, 2002

Appearances

Commissioners Susan E. Wefald and Anthony T. Clark.

Patrick W. Durick, Attorney At Law, 314 E. Thayer Ave., P.O. Box 400, Bismarck, ND 58502-0400 on behalf of Missouri Valley Communications, Inc.

William W. Binek, Chief Counsel, Public Service Commission, State Capitol, 600 East Boulevard Avenue, Bismarck, ND 58505-0480 as hearing officer.

Jerry Lein and Mike Diller, Staff Analysts, Public Service Commission, State Capitol, Bismarck, ND 58505-0480, on behalf of the Public Service Commission.

Preliminary Statement

On August 23, 2002 Missouri Valley Communications, Inc. (MVCI), a subsidiary of Nemont Telephone Cooperative, Inc. of Scobey, Montana (Nemont) filed an application for a certificate of public convenience and necessity to provide facilities-based incumbent local exchange telecommunications services in the Williston, North Dakota exchange, Case No. PU-2779-02-452. MVCI also requests designation as an Eligible Telecommunications Carrier (ETC) for receiving federal universal service support for the Williston Exchange, Case No. PU-2779-02-451. Incumbent local exchange telecommunications services for the Williston exchange are currently provided by Citizens Telecommunications Company of North Dakota (CTC).

On September 25, 2002 the Commission issued a Notice of Hearing, scheduling a public hearing for October 22, 2002 at 2:00 p.m. CDT in the Williams County

Courthouse, Memorial Room, 205 East Broadway, Williston, North Dakota. The notice identified the following issues to be considered:

1. Fitness and ability of MVCI to provide service.
2. Adequacy of the proposed service.
3. The technical, financial and managerial ability of MVCI to provide service.
4. Qualification of MVCI under the Telecommunications Act of 1996, Section 214 (e) for designation as an ETC eligible to receive federal universal service funding.
5. What ETC universal service support area should be designated for MVCI.

N.D.C.C. section 49-03.1-04 includes two issues not indicated above. They are need for service and the effect on other public utilities providing similar service. N.D. Admin. Code section 69-09-05-11(3) provides:

*"In order to implement North Dakota Century Code chapter 49-03.1 consistent with the Telecommunications Act of 1996, issues to be considered in an application for a certificate of public convenience and necessity for a facilities-based provider of telecommunications services are:*

- a. *Fitness and ability of the applicant to provide service.*
- b. *Adequacy of the proposed service.*
- c. *The technical, financial, and managerial ability of the applicant to provide service."*

On October 22, 2002 a public hearing was held as scheduled in the Williams County Courthouse. Several members of the public made public interest comments.

On October 31, 2002 MVCI filed late exhibits 2, 3, 4 and 5.

Having heard and considered this matter, the Commission makes the following:

### **Findings of Fact**

1. MVCI is a subsidiary of Nemont Telephone Cooperative, Inc. of Scobey, Montana. MVCI is authorized to do business in the State of North Dakota.
2. On July 26, 2002 MVCI entered into an agreement with CTC for the purchase of assets relating to the provision of facilities-based incumbent local exchange telecommunications services in the Williston exchange. Upon closing, CTC intends to

cease providing service and MVCI intends to begin providing service in the Williston exchange.

3. All subscribers currently served by CTC in the Williston exchange will be served by MVCI on the closing date of the transaction. CTC presently serves approximately 9,400 access lines in the Williston Exchange. CTC intends to relinquish its ETC designation and certificate of public convenience and necessity for the Williston exchange effective as of the closing date of the transaction.

4. MVCI is a subsidiary of Nemont. Nemont and its subsidiaries, Valley Telecommunications, Inc. and Project Telephone Company, presently provide incumbent local exchange service for approximately 19,000 access lines in forty-seven exchanges in northeast and south-central Montana, northwest North Dakota and north-central Wyoming. Nemont has been in the telecommunications business since 1950 and has an experienced managerial staff. Nemont or its subsidiaries provide a variety of technologically advanced telecommunications services including business and residential access, dial up Internet, ADSL high speed Internet, long distance, cellular service, voice mail, Lifeline/Linkup, enhanced Lifeline, assistance in obtaining E-rate funding for schools, libraries and medical facilities, enhanced 911 and interactive television. We find that MVCI has the fitness and ability to provide adequate service to the Williston exchange.

5. MVCI intends to continue existing services while honoring the existing local rates and extended calling area for the Williston exchange. MVCI intends to honor existing interconnection agreements with exchange carriers and to adopt the intrastate access rates currently used by Nemont for its exchanges in North Dakota.

6. The Rural Telephone Finance Cooperative has issued a conditional commitment to MVCI for a 15-year secured long-term loan of \$20 million and Nemont has agreed to provide \$8.2 million of capital to MVCI for the purchase of the Williston exchange. We find that MVCI is fit, able, and has the technical, financial and managerial ability to provide service for the Williston exchange.

7. The Williston exchange that is the subject of this sale is currently part of CTC's study area for purposes of determining universal service obligations. Both MVCI and CTC request that the Commission notify the FCC that the Commission does not object to the study area changes necessary to remove the Williston exchange from CTC's study area and add it to MVCI's study area.

8. To be designated as an eligible telecommunications carrier, a carrier must: (1) offer the services that are supported by federal universal service support mechanisms, and offer the services designated by the FCC for such federal support mechanisms for schools, libraries, and health care providers; and (2) advertise the availability of such services and the charges therefore using medial of general distribution.

9. For telecommunications customers, the services designated by the FCC for support by Universal service support mechanisms include voice grade access to the public switched network, local usage, dual tone multi-frequency signaling or its functional equivalent, single-party service or its functional equivalent, access to emergency services, access to operator services, access to interexchange service, access to directory assistance and toll limitation for qualifying low-income consumers.

10 For schools and libraries, the service designated by the FCC for support by universal support mechanisms include all items listed on the Eligible Services List of the Schools and Libraries Support Mechanism of the Universal Service Administrative Company dated October 18, 2002. For health care providers, the services supported by universal service support mechanisms include any telecommunications service used primarily for the provision of health care.

11. MVCI will offer all services that are supported by the federal universal service support mechanisms and will advertise the availability of and charges for those services using media of general distribution throughout the Williston exchange.

12. MVCI's Lifeline and Link Up offerings will continue to meet the requirements established by the FCC and the North Dakota Lifeline Plan and Link Up Plan in the Williston Exchange.

13. We find that that MVCI is qualified under the Telecommunications Act of 1996, Section 214 (e) for designation as an ETC eligible to receive federal universal service funding.

From the foregoing Findings of Fact, the Commission makes the following:

### **Conclusions of Law**

1. The Commission has jurisdiction over the applicant and over the subject matter of these applications under Title 49 of the North Dakota Century Code.

2. MVCI is fit, able, and has the technical, financial and managerial ability to provide service for the Williston exchange.

3. MVCI's proposed service is adequate.

4. MVCI meets the federal requirements for designation as an eligible telecommunications carrier in the Williston exchange.


From the foregoing Findings of Fact and Conclusions of Law, the Commission makes the following

## Order

### The Commission Orders:

1. The application of Missouri Valley Communications, Inc. for a certificate of public convenience and necessity to provide incumbent local exchange telecommunications services in the Williston exchange area is approved, effective with the date that the asset acquisition transaction is complete. A certificate of public convenience and necessity will be issued upon notification by the applicants that the transaction is complete.
2. Missouri Valley Communications, Inc.'s application to be designated as an eligible telecommunications carrier is granted, and MVCI is designated as an eligible telecommunications carrier in the Williston exchange area, effective with the issuance of a certificate of public convenience and necessity and receipt of any required Part 36 study area waivers from the FCC.
3. Citizens Telecommunications Company of North Dakota's certificates of public convenience and necessity for the Williston exchange shall be relinquished and cancelled effective with the issuance to MVCI of a new certificate of public convenience and necessity for the Williston exchange.
4. Citizens Telecommunications Company of North Dakota will no longer be designated as an ETC for the Williston exchange effective upon Citizen's relinquishing its certificate of public convenience and necessity for the Williston exchange and receipt of any required Part 36 study area waivers from the FCC.

### PUBLIC SERVICE COMMISSION



Anthony T. Clark  
Commissioner



Susan E. Wefald  
President



Leo M. Reinbold  
Commissioner



Public Service Commission  
State of North Dakota

COMMISSIONERS

Susan E. Wefald, President  
Leo M. Reinbold  
Anthony T. Clark

Executive Secretary  
Jon H. Mielke

600 E Boulevard Ave. Dept. 408  
Bismarck, North Dakota 58505-0480  
web: www.psc.state.nd.us  
e-mail: sab@psc.state.nd.us  
TDD 800-366-6888  
Fax 701-328-2410  
Phone 701-328-2400

December 4, 2002

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

Re: Request for Waivers filed by Citizens Telecommunications Company of North Dakota, Nemont Telephone Cooperative, Inc., Missouri Valley Communications, Inc. and Reservation Telephone Cooperative in Connection with the Sale of Exchanges

Dear Ms. Dortch:


On December 4, 2002, the North Dakota Public Service Commission approved the applications for certificates of public convenience and necessity filed by Missouri Valley Communications, Inc. and Reservation Telephone Cooperative in connection with their purchase of certain exchanges in the State of North Dakota from Citizens Telecommunications Company of North Dakota. It is our understanding that these companies filed a Joint Petition for Expedited Waivers with the FCC on September 24, 2002 and a Supplement to Joint Petition for Expedited Waivers on October 25, 2002, requesting a waiver of certain FCC rules, including the study area rule, in connection with the purchase and sale of these exchanges.

The North Dakota Public Service Commission hereby affirmatively states that it does not object to the request for waiver of the FCC study area rule for the exchanges to be transferred from Citizens Telecommunications Company of North Dakota to Missouri Valley Communications, Inc. and Reservation Telephone Cooperative.

If you have any questions, please contact Jerry Lein at 701 328-1035.

Sincerely

  
Anthony T. Clark  
Commissioner

  
Susan E. Wefald  
President

  
Leo M. Reinbold  
Commissioner

25

PU-2779-02-452

Pages: 1

Letter to FCC re application

by Public Service Commission

12/04/2002

CC: Comm Legal Illona Jerry

# PEARCE & DURICK

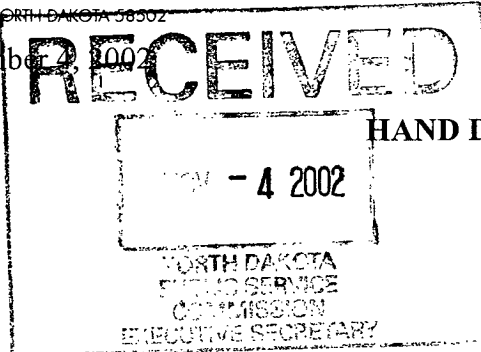
WILLIAM R. PEARCE 1910-1978  
WILLIAM P. PEARCE  
PATRICK W. DURICK  
B. TIMOTHY DURICK  
GARY R. THUNE •  
DAVID E. REICH  
JEROME C. KETTLESON  
LARRY L. BOSCHEE •  
LAWRENCE BENDER, PC •  
JONATHAN P. SANSTEAD

ATTORNEYS AT LAW  
314 EAST THAYER AVENUE  
P.O. BOX 400  
BISMARCK, NORTH DAKOTA 58502

TELEPHONE (701) 223-2890  
FAX (701) 223-7865  
E-MAIL: law.office@pearce-durick.com

OF COUNSEL  
HARRY J. PEARCE

November 4, 2002



Mr. William W. Binck  
Chief Counsel  
North Dakota Public Service Commission  
600 E. Boulevard Avenue  
Bismarck, ND 585015

**RE: Application of Missouri Valley Communications, Inc. for Certificates of Public Convenience and Necessity and Designation of Missouri Valley Communications, Inc.'s Eligible Telecommunications Carrier Designated Geographical Service Area  
Case Nos.: PU-427-02-451 and PU-427-02-452**

Dear Mr. Binck:

Enclosed herein please find the following:

Enclosed for filing in this matter please find the following:

1. Original and seven copies of Proposed Findings of Fact, Conclusions of Law and Order; and
2. Disc containing a file with the Proposed Findings of Fact, Conclusions of Law and Order.

Thank you for your cooperation in this matter.

Sincerely,

PEARCE & DURICK

*Patrick W. Durick*  
PATRICK W. DURICK

PWD/jf

Enclosures.

cc: Ms. Kathy Greenwood (w/o Disc)  
Mr. Royce S. Aslakson (w/o Disc)  
Mr. Kevin Saville (w/o Disc)

17 PU-2779-02-451

Pages: 1

Cover letter re filing and disk

by Missouri Valley Communications, Inc. by Patrick Du

11/04/2002

CC: Comm Legal Illona Jerry

*Disk filled in 02-451*

24

PU-2779-02-452

Pages: 1

Cover letter re filing and disk

by Missouri Valley Communications, Inc. by Patrick Du

11/04/2002

CC: Comm Legal Illona Jerry

SO LICENSED IN SD

**RECEIVED**

NOV - 4 2002

NORTH DAKOTA  
PUBLIC SERVICE  
COMMISSION  
EXECUTIVE SECRETARY

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**Application of Missouri Valley Communications, Inc.  
for Certificate of Public Convenience and Necessity  
and Designation of Missouri Valley Communications Inc.  
as an Eligible Telecommunications Carrier for Williston Exchange**

**Case Nos.: PU-2779-02-451  
PU-2779-02-452**

**PROPOSED**

**FINDINGS OF FACT, CONCLUSIONS OF LAW AND PROPOSED ORDER**

**Preliminary Statement**

On August 23, 2002 Missouri Valley Communications, Inc. ("MVCI"), a subsidiary of Nemont Telephone Cooperative, Inc. of Scobey, Montana ("Nemont") filed an application for a certificate of public convenience and necessity to provide facilities-based incumbent local exchange telecommunications services in the Williston, North Dakota exchange, Case No. PU-2779-02-452. MVCI also requests designation as an Eligible Telecommunications Carrier ("ETC") for receiving federal universal service support for the Williston Exchange, Case No. PU-2779-02-451. Incumbent local exchange telecommunications services for the Williston exchange are currently provided by Citizens Telecommunications Company of North Dakota ("CTC").

On September 25, 2002 the Commission issued a Notice of Public Hearing for Case Nos. PU-2779-02-451 and PU-2779-02-452 for October 22, 2002 at 2:00 p.m. CDT in the Williams County Courthouse, Memorial Room, 205 East Broadway, Williston, North Dakota. The notice identified the following issues to be considered:

1. Fitness and ability of MVCI to provide service.
2. Adequacy of the proposed service.
3. The technical, financial and managerial ability of MVCI to provide service.

Qualification of MVCI under the Telecommunications Act of 1996, Section 214 (e) for designation as an ETC eligible to receive federal universal service funding.

4. What ETC universal service support area should be designated for MVCI.

On October 22, 2002 at 2:00 p.m. CDT in the Williams County Courthouse, Memorial Room, 205 East Broadway, Williston, North Dakota, a public hearing was held on Case Nos. PU-2779-02-451 and PU-2779-02-452. William W. Binek, Chief Counsel,

**Public Service Commission, presiding. Witnesses for MVCI included Larry D. Wetsit, Customer Affairs Manager for Nemont, Richard J. Thronson, General Manager, Nemont and Kathy P. Greenwood, Finance and Accounting Manager, Nemont. Jerry Lein and Mike Diller of the Commission staff also presented testimony, including testimony by Mr. Diller that MVCI has the financial wherewithal to complete the purchase of the Williston exchange and to continue to provide service to the people of Williston on an ongoing basis. Several members of the public made appearances and Commissioners Wefald and Clark participated by telephone in a portion of the hearing.**

**On October 31, 2002 MVCI filed late exhibits 2, 3, 4 and 5, Additional slide to Exhibit 1, Waiver letter to FCC, Enumeration of ETC service and List of Communities Served by EAS, respectively.**

### **FINDINGS OF FACT**

- 1. On July 26, 2002 MVCI entered into an agreement with CTC for the purchase of assets relating to the provision of facilities-based incumbent local exchange telecommunications services in the Williston exchange. Upon closing, CTC intends to cease providing service and MVCI intends to begin providing service in the Williston exchange.**
- 2. All subscribers currently served by CTC in the Williston exchange will be served by MVCI on the closing date of the transaction. CTC presently serves approximately 9,400 access lines in the Williston Exchange. CTC intends to relinquish its ETC designation and certificate of public convenience and necessity for the Williston exchange effective as of the closing date of the transaction.**
- 3. MVCI is a subsidiary of Nemont. Nemont and its subsidiaries, Valley Telecommunications, Inc. and Project Telephone Company, presently provide incumbent local exchange service for approximately 19,000 access lines in forty-seven exchanges in northeast and south-central Montana, northwest North Dakota and north-central Wyoming. Nemont has been in the telecommunications business since 1950 and has an experienced managerial staff. Nemont or its subsidiaries provide a variety of technologically advanced telecommunications services including business and residential access, dial up Internet, ADSL high speed Internet, long distance, cellular service, voice mail, Lifeline/Linkup, enhanced Lifeline, assistance in obtaining E-rate funding for schools, libraries and medical facilities, enhanced 911 and interactive television.**
- 4. MVCI intends on honoring the existing local rates and the extended calling area for the Williston exchange. MVCI intends to honor existing interconnection agreements with exchange carriers and to adopt the Intrastate access rates currently used by Nemont for its exchanges in North Dakota.**
- 5. The Rural Telephone Finance Cooperative has issued a conditional commitment to MCVI for a 15 year secured long-term loan of \$20 million and Nemont has agreed**

to provide \$8.2 million of capital to MVCI for the purchase of the Williston exchange.

6. **The Williston exchange that is the subject of this sale is currently part of CTC's study area for purposes of determining universal service obligations. Both MVCI and CTC request that the Commission notify the FCC that the Commission does not object to the study area changes necessary to remove the Williston exchange from CTC's study area and add it to MVCI's study area.**
7. **To be designated as an eligible telecommunications carrier, a carrier must: (1) offer the services that are supported by federal universal service support mechanisms, and offer the services designated by the FCC for such federal support mechanisms for schools, libraries, and health care providers; and (2) advertise the availability of such services and the charges therefore using medial of general distribution.**
8. **For telecommunications customers, the services designated by the FCC for support by Universal service support mechanisms include voice grade access to the public switched network, local usage, dual tone multi-frequency signaling or its functional equivalent, single-party service or its functional equivalent, access to emergency services, access to operator services, access to interexchange service, access to directory assistance and toll limitation for qualifying low-income consumers.**
9. **For schools and libraries, the service designated by the FCC for support by universal support mechanisms include all items listed on the Eligible Services List of the Schools and Libraries Support Mechanism of the Universal Service Administrative Company dated October 18, 2002. For health care providers, the services supported by universal service support mechanisms include any telecommunications service which is used primarily for the provision of health care.**
10. **MVCI affirms it will offer all services that are supported by the federal universal service support mechanisms and will advertise the availability of and charges for those services using media of general distribution throughout the Williston exchange.**
11. **MVCI affirms that its Lifeline and Link Up offerings will continue to meet the requirements established by the FCC and the North Dakota Lifeline Plan and Link Up Plan in the Williston Exchange.**

#### CONCLUSIONS OF LAW

1. **The Commission finds that MVCI is fit, able, and has the technical, financial and managerial ability to provide service for the Williston exchange.**
2. **The Commission finds that MVCI's proposed service for Williston is adequate.**

3. The Commission finds that MVCI meets the federal requirements for designation as an eligible telecommunications carrier in the Williston exchange.

From the foregoing Findings of Fact and Conclusions of Law, the Commission makes the following

**ORDER**

1. The application of Missouri Valley Communications, Inc. for a certificate of public convenience and necessity to provide incumbent local exchange telecommunications services in the Williston exchange area is approved, effective with the date that the asset acquisition transaction is complete. A certificate of public convenience and necessity will be issued upon notification by the applicants that the transaction is complete.
2. Missouri Valley Communications, Inc.'s application to be designated as an eligible telecommunications carrier is granted, and MVCI is designated as an eligible telecommunications carrier in the Williston exchange area, effective with the issuance of a certificate of public convenience and necessity and receipt of any required Part 36 study area waivers from the FCC.
3. Citizens Telecommunications Company of North Dakota's certificates of public convenience and necessity for the Williston exchange shall be relinquished and cancelled effective with the issuance to MVCI of a new certificate of public convenience and necessity for the Williston exchange.
4. Citizens Telecommunications Company of North Dakota will no longer be designated as an ETC for the Williston exchange effective upon Citizen's relinquishing its certificate of public convenience and necessity for the Williston exchange and receipt of any required Part 36 study area waivers from the FCC.

Dated: \_\_\_\_\_, 2002

**PUBLIC SERVICE COMMISSION**

\_\_\_\_\_  
**ANTHONY T. CLARK**  
Commissioner

\_\_\_\_\_  
**SUSAN E. WEFALD**  
President

\_\_\_\_\_  
**LEO M. REINBOLD**  
Commissioner



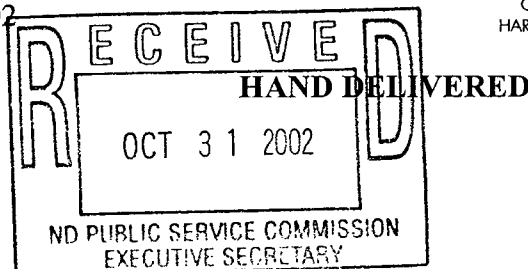
WILLIAM R. PEARCE 1910-1978  
 WILLIAM P. PEARCE  
 PATRICK W. DURICK  
 B. TIMOTHY DURICK  
 GARY R. THUNE •  
 DAVID E. REICH  
 JEROME C. KETTLESON  
 LARRY L. BOSCHEE •  
 LAWRENCE BENDER, PC •  
 JONATHAN P. SANSTEAD

ATTORNEYS AT LAW  
 314 EAST THAYER AVENUE  
 P.O. BOX 400  
 BISMARCK, NORTH DAKOTA 58502

TELEPHONE (701) 223-2890  
 FAX (701) 223-7865  
 E-MAIL: law.office@pearce-durick.com

October 31, 2002

OF COUNSEL  
 HARRY J. PEARCE



Mr. William W. Binek  
 Chief Counsel  
 North Dakota Public Service Commission  
 600 E. Boulevard Avenue  
 Bismarck, ND 585015

RE: **Application of Missouri Valley Communications, Inc. for Certificates of Public Convenience and Necessity and Expansion of Reservation Telephone Cooperative's Eligible Telecommunications Carrier Designated Geographical Service Area Case Nos.: PU-427-02-451 and PU-427-02-452**

Dear Mr. Binek:

Enclosed herein please find the following:

1. Late Filed Exhibit 2 - Additional slide to Exhibit 1;
2. Late Filed Exhibit 3 - Proposed Waiver letter to FCC;
3. Late Filed Exhibit 4 - Enumeration of ETC Service;
4. Late Filed Exhibit 5 - List of Communities Served by EAS.

I anticipate filing Proposed Findings of Fact, Conclusions of Law and Order on Tuesday, November 5, 2002.

Thank you for your cooperation in this matter.

Sincerely,

PEARCE & DURICK

PATRICK W.

15

PU-2779-02-451

Pages: 1

PWD/jf

Enclosures.

cc: Ms. Kathy Greenwood  
 Mr. Royce S. Aslakson  
 Mr. Kevin Saville  
 Mr. Steve Metts

• ALSO LICENSED IN MINNESOTA

• ALSO LICENSED IN

22

PU-2779-02-452

Pages: 1

Letter re Late Exhibits 2, 3, 4, & 5

by Missouri Valley Communications, Inc. by Patrick W.

10/31/2002

CC: Comm Legal Ilona Jerry .

Letter re Late Exhibits 2, 3, 4, & 5

by Missouri Valley Communications, Inc. by Patrick W.

10/31/2002

CC: Comm Legal Ilona Jerry .

# Essential Services Offered

- Switched Access
- Billing and Collection
- Primary Directory Listing
- Access to Directory Assistance
- 911 Services
- Flat Rate Extended Area Services
  - Alexander, Warford City, Round Prairie, etc...
- Service Connections to essential services
- Necessary Transmission services to end user
- Single party flat rate business & residential services
- Transmission service for pay stations

Pages: 1

21 PU-2779-02-452

Additional slide to Exhibit 1

by Missouri Valley Communications, Inc.  
Exhibit # Late Filed 2  
CC: Comm Legal Ilona Jerry  
10/31/2002

Pages: 1

14 PU-2779-02-451

Additional slide to Exhibit 1

by Missouri Valley Communications, Inc.  
Exhibit # Late Filed 2  
CC: Comm Legal Ilona Jerry  
10/31/2002

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C., 20554

**RE: Request for Waivers filed by Citizens Telecommunications Company  
of North Dakota, Nemont Telephone Cooperative, Inc.; Missouri  
Valley Communications, Inc. and Reservation Telephone Cooperative  
in Connection with the Sale of Certain Exchanges**

Dear Ms. Dortch:

On November \_\_\_, 2002, the North Dakota Public Service Commission (Commission) approved the applications for certificate of public convenience and necessity filed by Missouri Valley Communications, Inc. and Reservation Telephone Cooperative in connection with their purchase of certain exchanges in the State of North Dakota from Citizens Telecommunications Company of North Dakota. It is the Commission's understanding that the above-referenced companies filed a Joint Petition for Expedited Waivers at the Federal Communications Commission (FCC) on September 24, 2002, and a Supplement to Joint Petition for Expedited Waivers on October 25, 2002, requesting a waiver of certain FCC rules, including the FCC's study area rule, in connection with the purchase and sale of these exchanges.

The North Dakota Public Service Commission hereby affirmatively states that it does not object to the request for waiver of the FCC's study area rule for the exchanges to be transferred from Citizens Telecommunications Company of North Dakota to Missouri Valley Communications, Inc. and Reservation Telephone Cooperative.

If you have any questions concerning this matter, please do not hesitate to contact Jerry Lein at 701 328-1035.

Sincerely,

\_\_\_\_\_  
ANTHONY T. CLARK  
Commissioner

\_\_\_\_\_  
SUSAN E. WEFALD  
President

\_\_\_\_\_  
LEO M. REINBOLD  
Commissioner

**13**    **PU-2779-02-451**  
Proposed Waiver letter to FCC  
by Missouri Valley Communications, Inc.  
10/31/2002

Pages: 2

**Exhibit # Late Filed 3**  
CC: Comm Legal Ilona Jerry .

**20**    **PU-2779-02-452**  
Proposed Waiver letter to FCC  
by Missouri Valley Communications, Inc.  
10/31/2002

Pages: 2

**Exhibit # Late Filed 3**  
CC: Comm Legal Ilona Jerry .

cc: Patrick W. Durick  
P.O. Box 400  
Bismarck, North Dakota 58502-0400

Mary J. Sisak  
Blooston, Mordkofsky, Dickens, Duffy, & Prendergast  
2120 L Street, NW  
Washington, DC 20037

**Late Filed Exhibit 4 - Waiver letter to FCC, Case Nos.: PU-2779-02-453 and  
PU-2779-02-454.**

**Late Filed Exhibit 3 - Waiver letter to FCC, Case Nos.: PU-2779-02-451 and  
PU-2779-02-452.**

ENUMERATION OF ETC REQUIRED SERVICE

1. Voice grade access to the public switched network.
2. Local usage.
3. Dual tone multi-frequency signaling or its functional equivalent.
4. Single-party service or its functional equivalent.
5. Access to emergency services.\
6. Access to operator services.
7. Access to interexchange service.
8. Access to directory assistance.
9. Toll limitation for qualifying low-income consumers.

Source: 47 CFR Section 54.101

Late Filed Exhibit 4, Case Nos.: PU-2779-02-451 and PU-2779-02-452

12 **PU-2779-02-451** Pages: 1

Enumeration of ETC Service

by Missouri Valley Communications, Inc.

10/31/2002

**Exhibit # Late Filed 4**

CC: Comm Legal Ilona Jerry .

19 **PU-2779-02-452** Pages: 1

Enumeration of ETC Service

by Missouri Valley Communications, Inc.

10/31/2002

**Exhibit # Late Filed 4**

CC: Comm Legal Ilona Jerry .



# Local Calling

Your local calling area includes all the customers in your prefix plus the areas indicated with a dot in the cities below. The prefix is the first three digits of a phone number. Calls to areas outside the local calling area are long distance.



To ↓	From →	Alexander	Cartwright	Charbonneau	Fairview MT	E Fairview	Rawson	Spring Brook	Trenton	Watford City	Williston
		828	744	828	(406) 747	744	828	572, 774	572, 774	842	572, 774
Alexander	828	○	○	○			○	○	○	○	○
Arnegard	586									○	
Cartwright	744					○					
Charbonneau	828	○	○	○			○	○	○	○	○
Epping	859						○	○			○
Fairview MT	(406) 747				○	○					
East Fairview	744				○	○					
Keene	675									○	
Mandaree	759									○	
Marmon	826							○	○	○	○
Rawson	828	○	○	○			○	○	○	○	○
Ray	568										
Round Prairie	875						○	○			○
Sidney MT	(406) 422, 482				○						
Spring Brook	572, 774	○						○	○	○	○
Squaw Gap	569										
Trenton	572, 774	○						○	○	○	○
Watford City	842	○	○	○			○	○	○	○	○
Wheelock	859							○	○		○
Williston	572, 774	○						○	○	○	○

○ Indicates Local or EAS Call  
 □ Indicates Long-Distance Call

List of Communities Served by EAS

by Missouri Valley Communications, Inc.  
Exhibit # Late Filed 5  
10/31/2002 CC: Comm Legal Ilona Jerry .

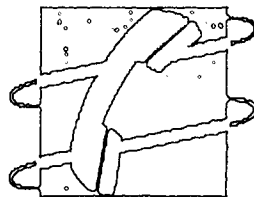
List of Communities Served by EAS

by Missouri Valley Communications, Inc.  
Exhibit # Late Filed 5  
10/31/2002 CC: Comm Legal Ilona Jerry .

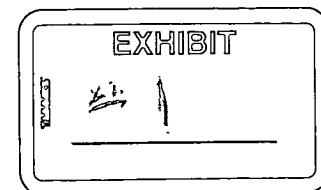
# Public Hearing

Case No. PU-2779-02-451 and PU-2779-02-452

North Dakota Public Service Commission



Missouri Valley Communications, Inc.  
Nemont Telephone Cooperative, Inc.



Pages: 30

17 PU-2779-02-452

Slide Presentation

by Missouri Valley Communications, Inc.  
Exhibit # 1

10/22/2002  
CC: Comm Legal Ilona Jerry

# Management Team

- General Manager, Richard J. Thronson
- Director of Operations, Dennis E. Dunn
- Customer Affairs Manager, Larry D. Wetsit
- Finance and Accounting Manager,  
Kathy P. Greenwood
- Governmental Relations and Regulatory Manager,  
Ron Ostberg
- Sagebrush Cellular Manager/Network Manager,  
Gary Dascher
- Human Resource Manager, Kaylin Gunderson

# General Manager

Mr. Richard J. Thronson

- 35 years in Telecommunications Business
- Began career with Northwest Communications in Ray, North Dakota



# Director of Operations

Mr. Dennis E. Dunn

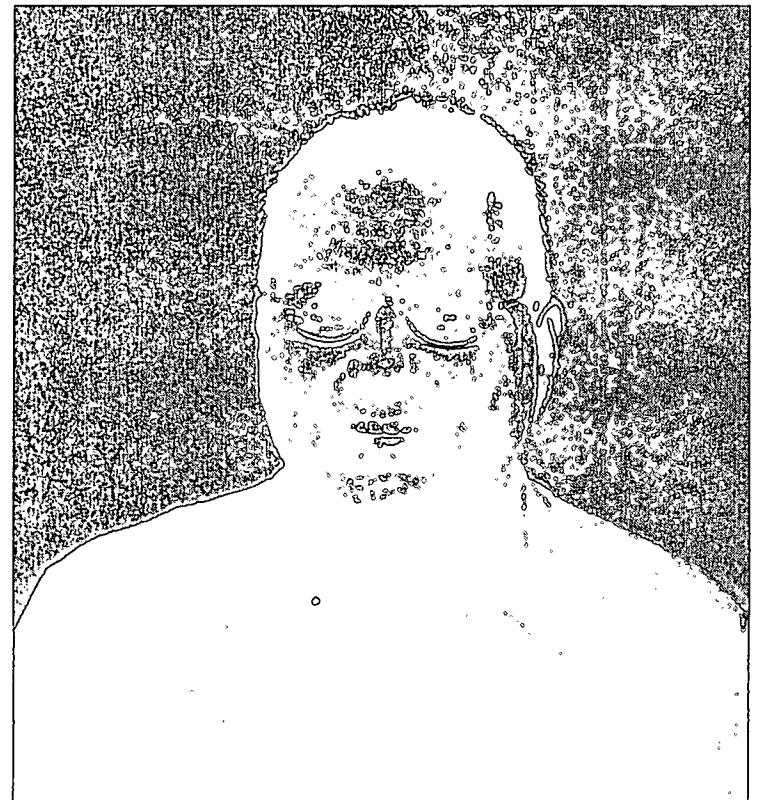
- Over 32 years of Telecommunications experience
- Former employee of Citizens Utilities



# Customer Affairs Manager

Mr. Lawrence D. Wetsit

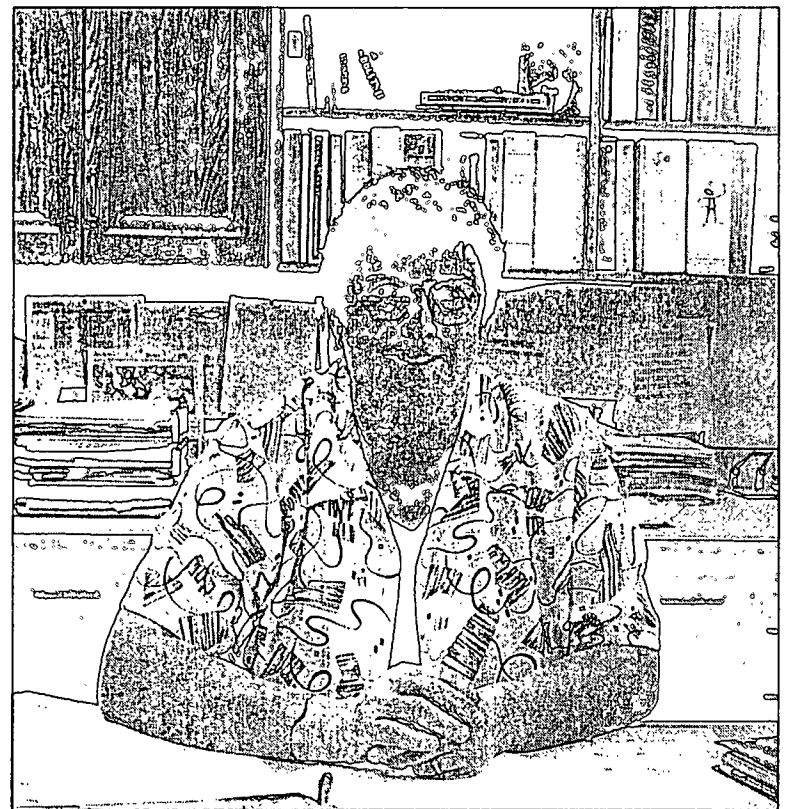
- Employed by Nemont for 10+ years
- Chairman, Fort Peck Community College, Poplar, MT
- Chairman, A&S Tribal Industries, Poplar, MT
- Former Tribal Chairman for Fort Peck Tribes, Poplar, Montana



# Finance and Accounting Manager

Ms. Kathy P. Greenwood

- Employed by Nemont for 8 years
- 22 years experience in finance and accounting
- Certified Public Accountant



# Governmental Relations and Regulatory Manager

Mr. Ron Ostberg

- Involved with cooperatives over 30 years
- Congressional and legislative experience



## Other Managers

Mr. Gary Dascher

*Sagebrush Cellular Manager /  
Network Manager*

- Employed by Nemont for over 30 years
- Extensive background with wireless and network design

Ms. Kaylin Gunderson

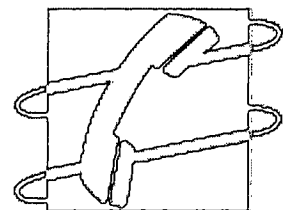
*Human Resource Manager*

- Employed with Nemont for 5 years
- B.A. degree is in English Education and Psychology
- Continuing coursework in Human Resources

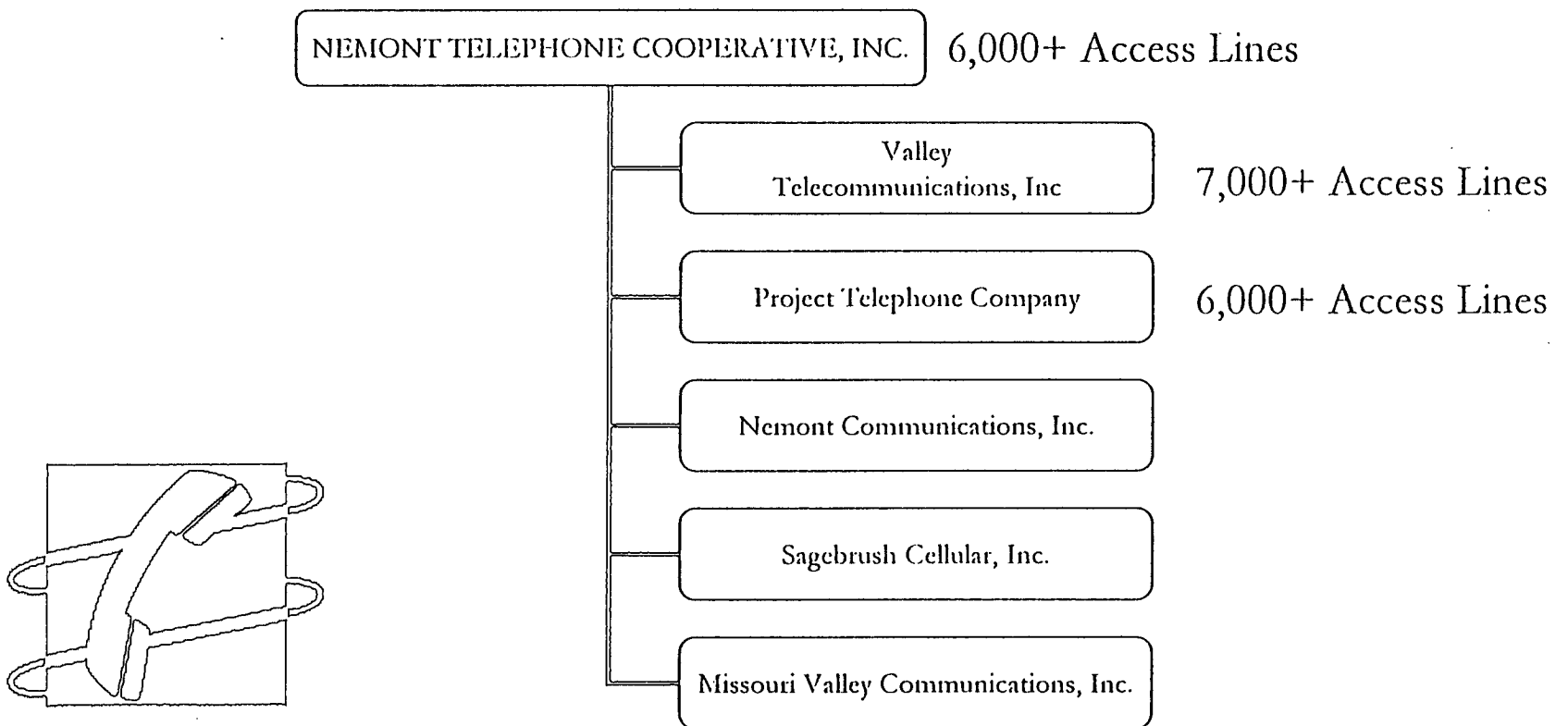
# Nemont Board Members

Nemont is governed by an eleven member Board of Directors, elected by the cooperative members.

- Vernon Stoner, Outlook, MT
- Roy Neufeld, Larslan, MT
- Orvis Nelson,  
Homestead, MT
- Ben Boreson, Opheim, MT
- Dayton Cherney,  
Nashua, MT
- Robert H. Heikens,  
Nashua, MT
- Gary Klind, Hinsdale, MT
- Kenneth Lauridsen,  
Brockton, MT
- Charles McVee,  
Glasgow, MT
- Larry Mahler, Scobey, MT
- Greg Miller, Reserve, MT

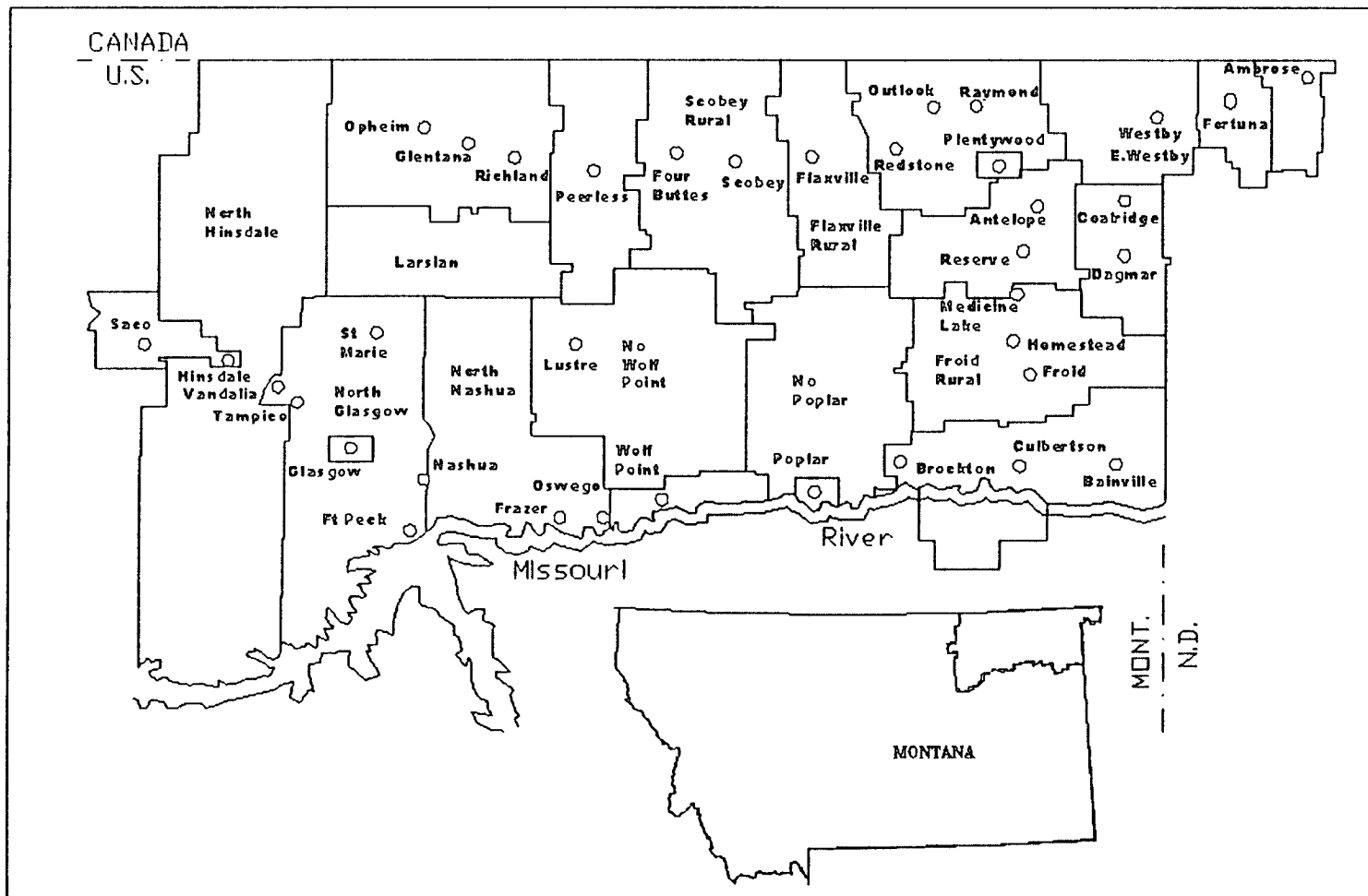


# Nemont's Corporate Structure



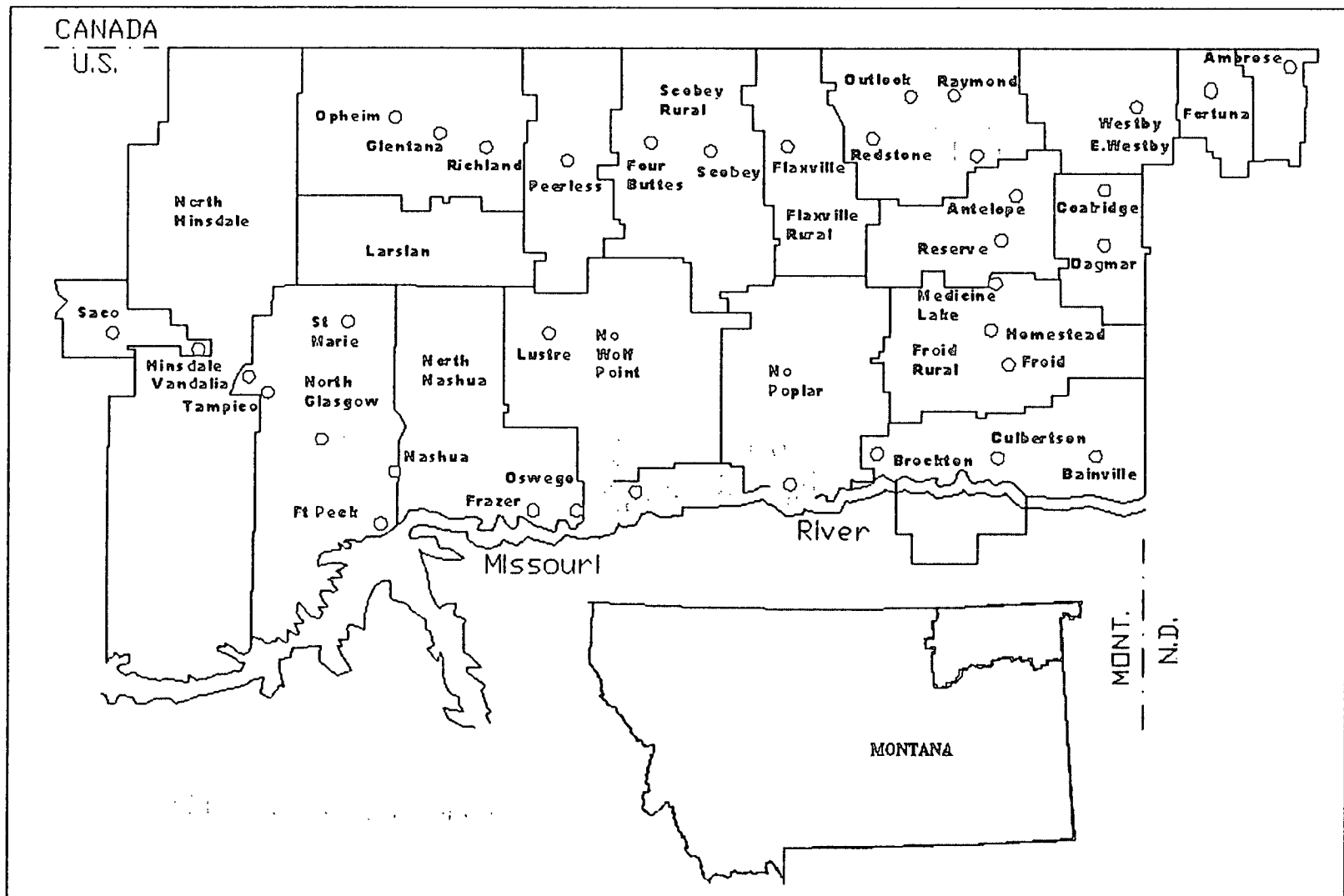
# Nemont Telephone Cooperative, Inc.

- 32 exchanges in northeast Montana and northwest North Dakota



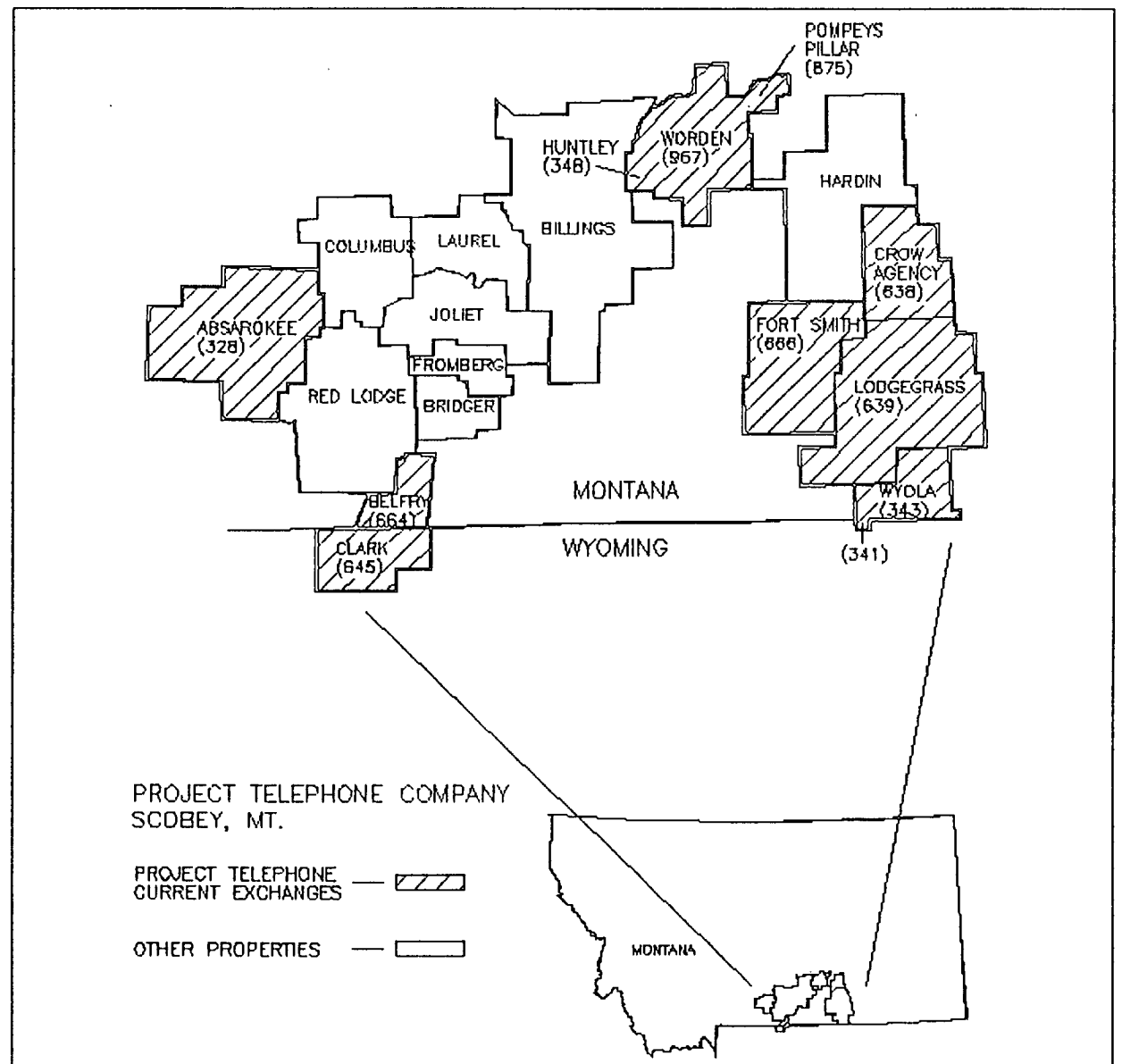
# Valley Telecommunications, Inc.

- Four exchanges in northeast Montana



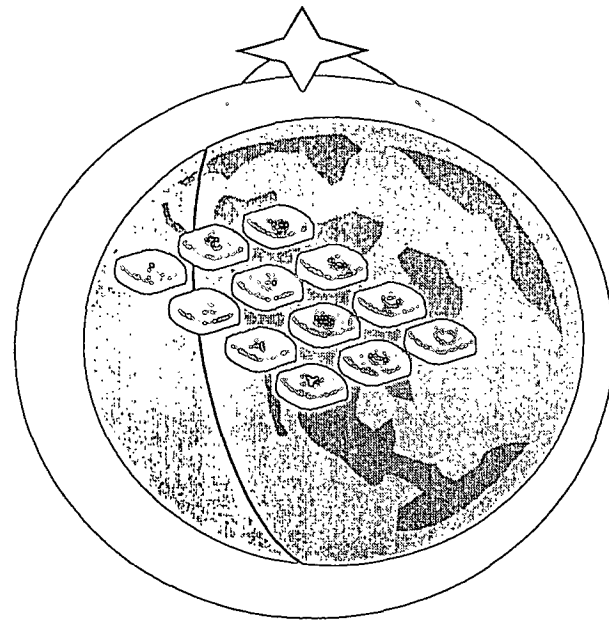
# Project Telephone Company

- 11 exchanges in southcentral Montana and northcentral Wyoming



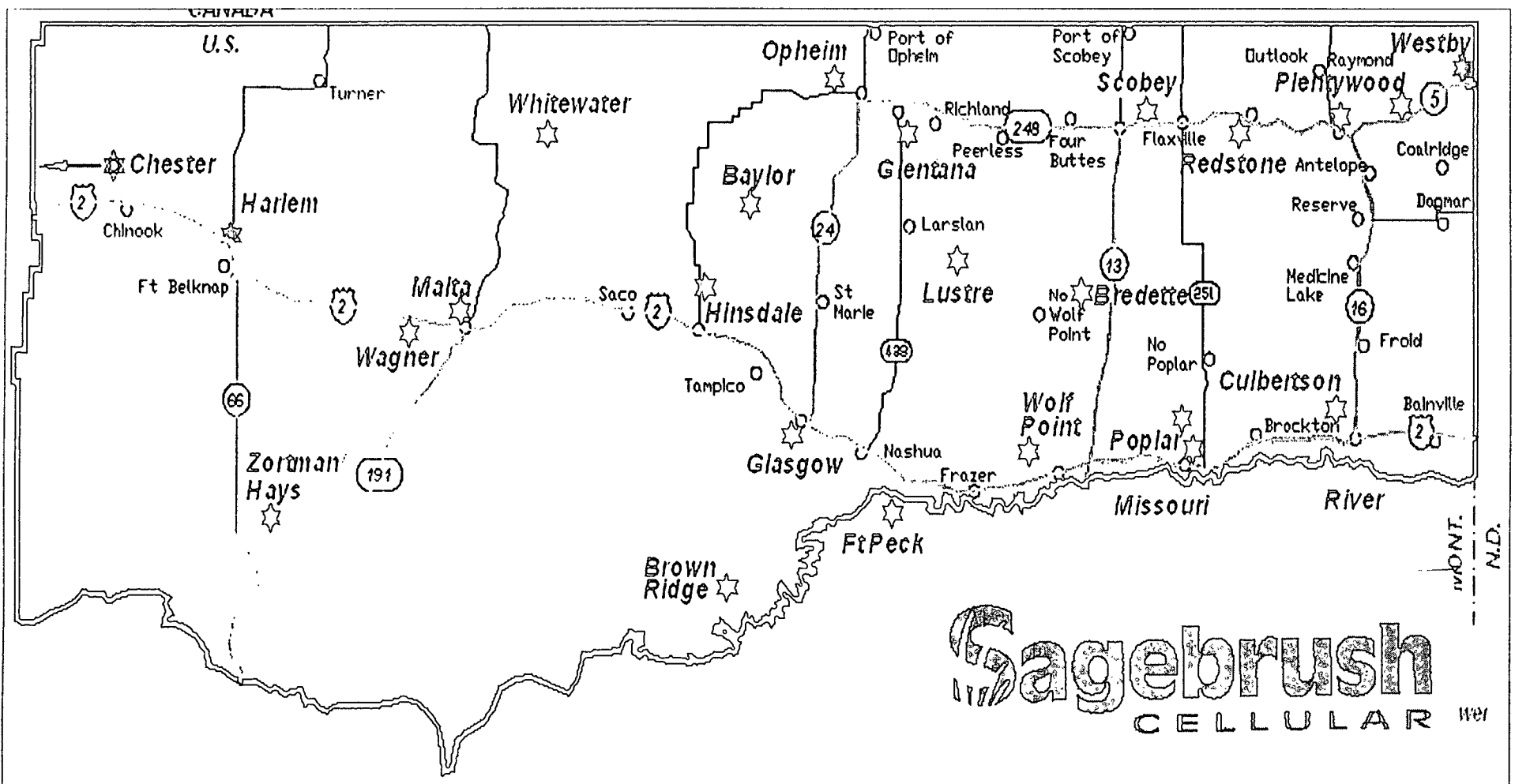
# Nemont Communications, Inc.

- Non-Regulated  
Subsidiary
- Owns Fiber Optic Cable
- Nemont Long Distance
- Internet Provider
- Interactive TV
- Payphones
- Phone Systems
- Paging Services



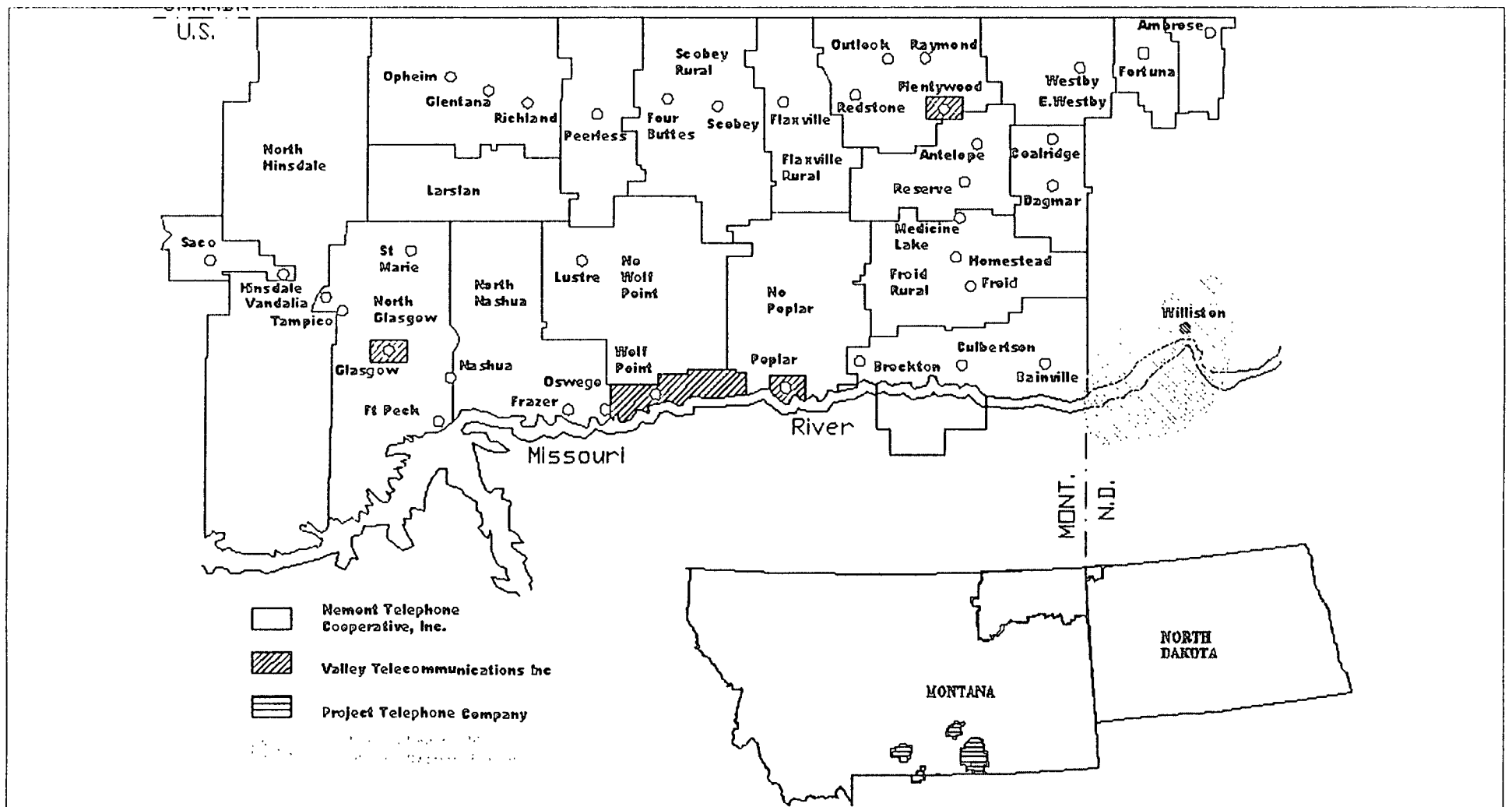
# Sagebrush Cellular, Inc.

- 23 Cell Sites in northeast Montana



# Missouri Valley Communications, Inc.

- Williston, N. D. exchange has approximately 9,400 access lines



# History of Nemont

- 1950 – Nemont was organized as a cooperative by rural citizens.
- 1978 – Nemont purchases Project Telephone Company located in Worden, Montana.
- 1979 – Nemont Communications, Inc. was formed to provide cable television service.
- 1980 – Nemont purchases Absarokee and Belfry, Montana and Clark, Wyoming exchanges.
- 1992 – Nemont Telephone Cooperative and Valley Rural Telephone merge.

## History of Nemont, Cont'd

- 1994 - Nemont triples in size by purchasing 12,000 access lines from U.S. West.
- 1994 - Valley Telecommunications, Inc. was formed to own 4 of the larger exchanges.
- 1995 – Nemont purchases CommNet's interest in Sagebrush Cellular.
- 1996 – Nemont Communications, Inc. deploys dial up Internet.
- 1996 – Nemont begins to network 23, K-12 schools, colleges and medical facilities with Interactive Television Studios.

## History of Nemont, Cont'd

- 1997 –Nemont, along with Triangle Telephone, builds fiber hotel in Billings.
- 1998 – NCI offers long distance service as Nemont Long Distance.
- 2000 – Nemont becomes first cooperative in Montana to offer ADSL High Speed Internet.
- 2000 - Nemont's service area is first in the state to deploy Enhanced 911 services.
- 2002 – Nemont signs a purchase agreement with Citizens Communications for the Williston area.

## Current Services Offered

- Business Access
- Residential Access
- Dial up Internet
- ADSL High Speed Internet
- Long Distance
- Cellular Service
- CLASS/SS7
- Voice Mail
- Lifeline/Linkup
- Enhanced Lifeline
- E-rate Funding
  - School, libraries & medical facilities
- Enhanced 911
- Interactive Television

# Our Quality Of Service

## Trouble Report Rate – July 2002

- Valley Telecommunications serves 4 of our largest exchanges.

Wire Center	Community	Total Troubles	Report Rate
228	Glasgow	21	.74
653	Wolf Point	42	1.90
765	Plentywood	3	.21
768	Poplar	18	1.23
Totals:		84	1.06

# Our Quality Of Service

Percent of Out Of Service Troubles cleared within  
24 hours of receipt - July 2002

Wire Center	Community	Total OOS Troubles	Troubles cleared under 24 hours	% Clear < 24 hours
228	Glasgow	8	8	100%
653	Wolf Point	18	18	100%
765	Plentywood	2	2	100%
768	Poplar	10	10	100%
Totals:		38	38	100%

# Our Quality Of Service

## Installation Results - July 2002

Wire Center	Community	# of Orders Completed	# of Orders Missed	% Completed within 3 Business Days
228	Glasgow	44	0	100%
653	Wolf Point	55	1	98%
765	Plentywood	8	0	100%
768	Poplar	51	0	100%
Company Totals:		158	1	99.5%

## Our Quality Of Service

- Customer Complaints to the Montana PSC
  - Nemont Long Distance – (0) 2002, (0) 2001, (0) 2000.
  - Valley Telecommunications – (1) 2002, (2) 2001 and (5) 2000.
  - Project Telephone – (3) 2002, (4) 2001, (4) 2000.

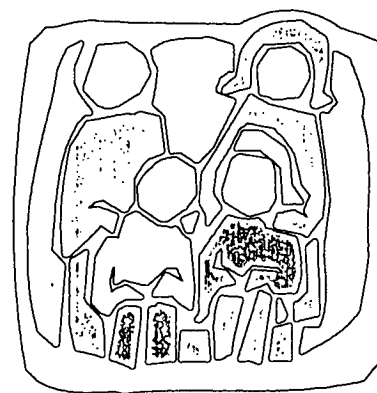
# Financials

- As of 12/31/2001
  - Total assets - \$87,766,871
  - Equity - \$43,786,978 or almost 50%
  - Consolidated net income - \$5,161,742
  - Consolidated cash position - \$16,877,754
  - Long term debt - \$34,972,497 or 39.8% of total assets

# Making a Difference in the Communities We Serve

## Enhanced Lifeline

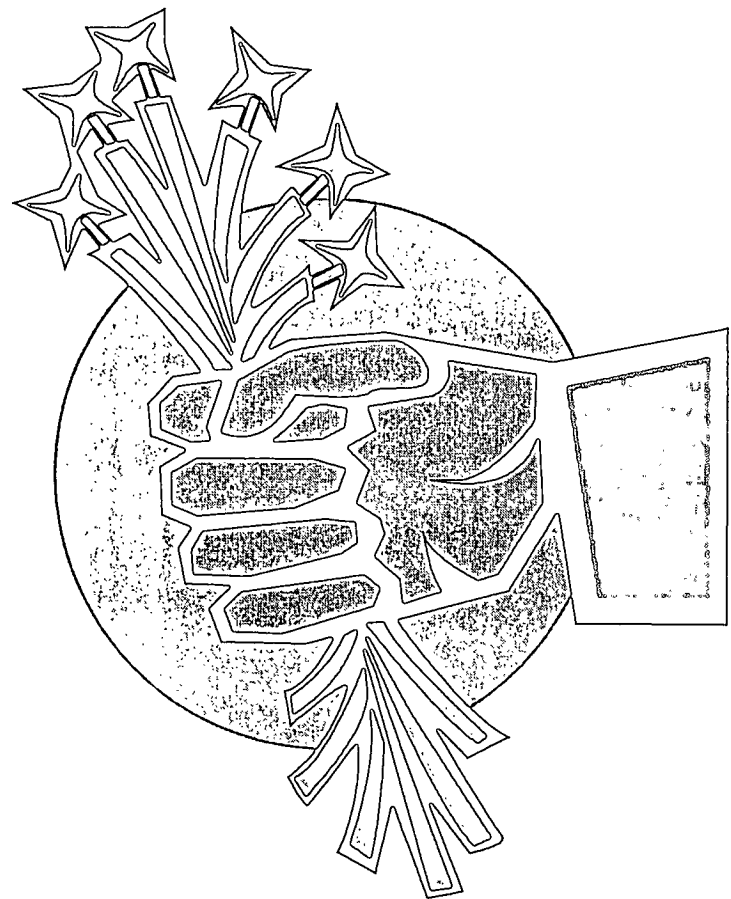
- Successfully implemented \$1.00 per month phone service to Native American Lands.
  - Met with public school officials, college students, Headstart parents and social service agencies.
  - Used newspaper ads, company newsletter and brochures to promote this service.
- Nemont – 140 Subscribers
- Valley – 651 Subscribers
- Project – 518 Subscribers



# Making a Difference in the Communities We Serve

## Interactive Television

- Vision Net operates video conferencing studios in more than 60 K-12 schools across the services areas of five Montana cooperatives.
- Assists in providing quality education to rural children and adults.
- Assists in providing quality healthcare to rural people.



# Making a Difference in the Communities We Serve

## E-rate Funding for Schools, Libraries and Healthcare Facilities in our Service Areas

- Discount is determined by number of students eligible for free or reduced lunch.
- Dollar figures represent total services eligible to be discounted.

Company	Year 3	Year 4	Year 5
Project	\$144,194	\$184,465	\$169,523
Valley	\$289,428	\$132,640	\$92,310
Nemont	\$236,565	\$200,182	\$158,978
Total	\$670,187	\$517,287	\$420,811

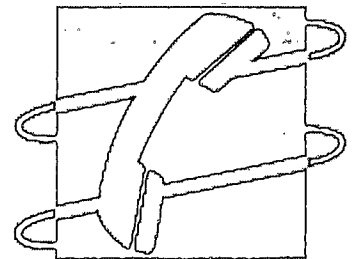
# Making a Difference in the Communities We Serve

- Enhanced 911
- Customer Appreciation Days
- Telephone Etiquette Training
- Support local businesses by shopping locally
- Board of Directors are local people



# Plans for Missouri Valley Communications, Inc.

- Will regularly make upgrades and improvements to plant.
- Proposed capital budget for the next 5 years is \$6.4 million.
- Current employees will be offered employment.
- Existing contracts will be honored.
- Will honor existing local rates.
- Extended calling area will remain the same.
- Will operate under price cap regulation.
- Will comply with existing interconnection agreements.
- Adopt Nemont's IntraState access rates.



Direct Testimony

**Mike Diller**

Before the **North Dakota Public Service Commission**

**Missouri Valley Communications, Inc.**

2779-02-452

Case No. PU-~~399-01-186~~

**Public Convenience & Necessity  
Williston Exchange**

October 22, 2002

16 PU-2779-02-452

Pages: 4

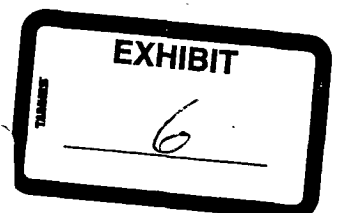
Direct Testimony by Mike Diller

by Public Service Commission

Exhibit # 6

10/22/2002

CC: Comm Legal Ilona Jerry



1 **Qualifications**

2 Q: Provide your name and position at the North Dakota Public  
3 Service Commission.

4 A: My name is Mike Diller and I am the Director of Accounting. I  
5 am responsible for the Commission's accounting and data  
6 processing operations and any assigned public utility matters.

7

8 Q: Provide a summary of your educational background and public  
9 utility regulatory experience.

10 A: I have more than 18 years of public utility regulatory  
11 experience including service for both the Oklahoma Corporation  
12 Commission and the North Dakota Public Service Commission. I  
13 received a Bachelor of Science Degree in Accounting from  
14 Oklahoma Christian College in Edmond, Oklahoma in 1981. I am a  
15 Certified Public Accountant licensed in the state of Oklahoma, and I  
16 am a member of the American Institute of Certified Public  
17 Accountants.

18

19 Q: Have you provided testimony in North Dakota before?

20 A: Yes. I have testified before the Commission on telephone  
21 acquisition proposals, rate cases, offers of settlement and other  
22 issues.

23

24 **Summary**

25 Q: What is the purpose of your testimony?

26 A: I am responsible for addressing the financial ability of Missouri  
27 Valley Communications, Inc. (MVCI) to acquire the Williston local  
28 telephone exchange. I will also comment on the applicant's pre-filed  
29 testimony.

1 Q: Based on your review, what conclusions have you reached?

2 A: I believe that MVCI has the financial wherewithal to complete  
3 this transaction and to continue providing service to the people of  
4 Williston on an ongoing basis.

5

6 **Analysis**

7 Q: What did you consider in reaching your conclusion?

8 A: The strongest argument for financial viability is the completion  
9 of the deal itself. In this instance, the Rural Telephone Finance  
10 Cooperative (RTFC) has committed to provide a 15-year secured  
11 long-term loan of \$20 million and MVCI has agreed to provide \$8.2  
12 million of capital. Given the significant commitment of these two  
13 parties and the financial obligations imposed on MVCI, I would be  
14 remiss to ignore the deal and rely solely on my own financial  
15 analysis.

16 I also considered the audited consolidated financial  
17 statements of the parent company, Nemont Telephone Cooperative,  
18 Inc. (Nemont), to get an idea of the financial strength of the  
19 consolidated company prior to acquiring the Williston exchange. On  
20 the asset side of the balance sheet, Nemont shows consolidated  
21 cash of nearly \$17 million as of December 31, 2001, compared to  
22 total net assets of \$87.8 million. On the liability and equity side of  
23 the balance sheet, Nemont has \$31.6 million of long-term debt or  
24 about 72 cents of long-term debt for every one dollar of equity.  
25 During the past two years, Nemont has been able to increase its  
26 equity through consolidated earnings of \$4.4 million and \$5.2 million  
27 for the years ending 2000 and 2001, respectively. Further, the  
28 consolidated company enjoyed a 2001 TIER ratio of 4.21 or the  
29 ability to pay actual long-term debt costs 4.21 times. Based on my

1 review and experience, Nemont is a very healthy financial  
2 enterprise.

3

4 Q: In a worst-case scenario, what if the financial objectives of  
5 RTFC are not achieved and it fails to service its debt?

6 A: Under the terms of the letter of commitment, RTFC would be  
7 able to go against the guarantor of the loan, Valley  
8 Telecommunications, Inc (Valley). Valley is a subsidiary of Nemont  
9 and has equity of \$10.8 million as of December 31, 2001. In the  
10 event the guarantor was unable to satisfy the debt obligation, RTFC  
11 would still have recourse against MVCI through its first mortgage lien  
12 on all current and future assets and revenues of MVCI as collateral.  
13 If both parties could not satisfy the debt obligations, any acquisition  
14 costs and improvements financed through equity would be lost and  
15 accrue to the benefit of the RTFC. Such a scenario would likely end  
16 up with RTFC reselling the improved exchange to another buyer for  
17 less money. I believe the chances of this occurring are near zero  
18 but illustrates why I support the sales transaction from a financial  
19 viability standpoint.

20

21 Q: Do you have any other comments?

22 A: Yes, I will comment on the pre-filed testimony of MVCI  
23 received October 17, 2002. I am very impressed with the extent to  
24 which Nemont and affiliates go to court the satisfaction of its  
25 customers. Equally impressive are the results achieved from its  
26 Montana telephone companies. For instance, Valley serves  
27 approximately 7,700 customers in Montana and only two complaints  
28 were registered with the Montana Public Service Commission in  
29 2001. Project Telephone Company (Nemont subsidiary) serves

1 approximately 6,100 customers in Montana and the Montana  
2 commission only received 4 complaints in 2001. Comparatively, the  
3 North Dakota Public Service Commission received 56 complaints in  
4 2001 from the customers of the seller, Citizens Telecommunications  
5 Company of North Dakota.

6

7 Q: Does this conclude your testimony?

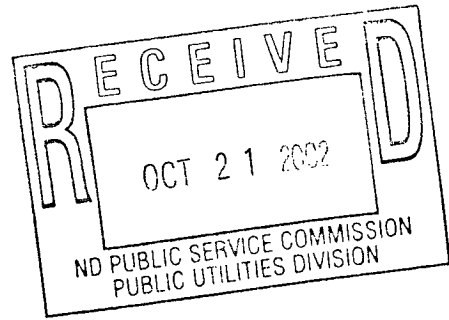
8 A: Yes, it does.

9



**National Information Solutions Cooperative**

www.nisc.cc



October 18, 2002

Mr. Jon Mielke  
Executive Secretary  
North Dakota Public Service Commission  
Bismarck, ND 58505-0480

Re: Missouri Valley Communications, Inc.  
Case No. PU-2779-02-451 and PU-2770-02-452

Dear Mr. Mielke:

Please file the Supporting Affidavit of Vern Dosch of NISC in the above captioned matter since Mr. Dosch will be unable to personally attend the public hearing on October 22, 2002 in Williston. We have enclosed five original copies for the convenience of the Commissioners.

Please extend our best regards to Commissioners Wefald, Reinbold and Clark.

Yours very truly,

Wally Goulet  
Vice President and General Counsel  
NISC  
Encl.(5)

**St. Peters Office**

4178 N. Service Road

P.O. Box 76900

St. Peters, MO 63376-0092

1.800.345.2237

Fax: 636.922.9175

**Mandan Office**

3201 Nygren Dr, NW

P.O. Box 728

Mandan, ND 58554-0728

701.663.6511

Fax: 701.667.19

15 ✓ **PU-2779-02-452**

Pages: 1

Cover Letter for Affidavit of Support

by Missouri Valley Communications, Inc.

10/21/2002

CC: Comm Legal Ilona Jerry .

9

**PU-2779-02-451**

Pages: 1

Cover Letter for Affidavit of Support

by Missouri Valley Communications, Inc.

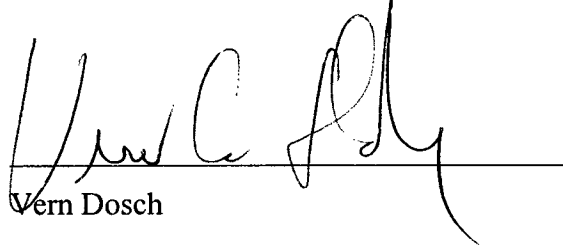
10/21/2002

CC: Comm Legal Ilona Jerry .



following: End User Billing, Automated Mail Services, Carrier Access Bill Processing, Message Processing, Message Transmission, and Switch Polling. It is my opinion it would have a very beneficial impact upon the economy of North Dakota to approve this transfer which would incidentally also bring these service opportunities and the attendant revenues to NISC, an employer of over two hundred and fifty (250) North Dakotans. These service opportunities and revenues are currently both going to business concerns outside the State of North Dakota. NISC is excited about this potential growth in its business and hereby wants to advise the Public Service Commission of this additional beneficial impact of the proposed transfer and its support for Missouri Valley Communications, Inc., and its parent cooperative, Nemont Telephone Cooperative, Inc., an outstanding provider of telecommunications service.

That this affidavit is hereby executed on October 18, 2002 for presentation at the October 22<sup>nd</sup>, 2002 public hearing on this matter before the Public Service Commission of the State of North Dakota.

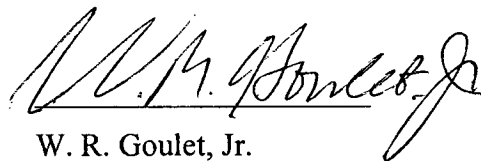
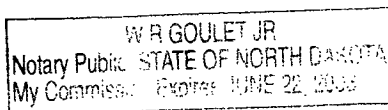


Vern Dosch

President and CEO

National Information Solutions Cooperative

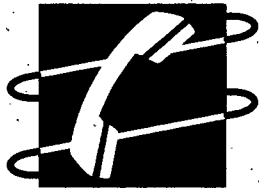
Subscribed and sworn to before me this 18<sup>th</sup> day of October, 2002.



W. R. Goulet, Jr.

Notary Public, State of North Dakota

My Commission Expires June 22, 2003



# Missouri Valley Communications, INC.

TOTAL TELECOMMUNICATIONS



October 17, 2002

Public Service Commission  
State of North Dakota  
600 East Boulevard Avenue, Dept. 408  
Bismarck, North Dakota 58505-0480

**Re: Public Hearing in Case Nos. PU-2779-02-451 and PU-2779-02-452**

Dear Commissioners:

Missouri Valley Communications, Inc. offers the following pre-hearing testimony in the above mentioned cases for your review:

Missouri Valley Communications, Inc., a newly formed subsidiary of Nemont Telephone Cooperative, Inc. (Nemont), of Scobey, Montana was created to own and operate the Williston, North Dakota exchange.

**A brief history of Nemont Telephone Cooperative, Inc. is as follows:**

- In 1950, Nemont was organized by rural people as a cooperative. Nemont's current service area, located in northeastern Montana and northwestern North Dakota, extends from Saco, Montana to Ambrose, North Dakota, and from the Missouri River to the Canadian border.
- In 1978 Nemont purchased Project Telephone Company (Project) at Worden, MT, located just east of Billings, MT.
- In 1980 Project's access lines were doubled with the purchase of the Absarokee exchange, located west of Billings, MT.
- In 1992 Nemont and Valley Rural Telephone Cooperative merged and retained the name of Nemont Telephone Cooperative, Inc.
- In 1994 Nemont tripled in size by purchasing 12,000 access lines from US West. As part of that acquisition, Valley Telecommunications, Inc. was created to own four of the larger exchanges located in northeastern Montana.
- In 1995 Nemont purchased CommNet's interest in Sagebrush Cellular.

13/ ✓ **PU-2779-02-452**

Pages: 5

Testimony

by Missouri Valley Communications, Inc.

10/17/2002

CC: Comm Legal Illona Jerry

7 **PU-2779-02-451**

Pages: 5

Testimony

by Missouri Valley Communications, Inc.

10/17/2002

CC: Comm Legal Illona Jerry

**Nemont's Family of Companies include the following:**

- Nemont Telephone Cooperative, Inc., the “parent company”, provides telecommunications services to over 6,450 subscribers in 32 exchanges located in northeastern Montana and northwestern North Dakota. All of these customers can access the Internet using a local number. Asymmetric Digital Subscriber Line (ADSL) is available in 17 exchanges, and Nemont currently has 93 ADSL customers. ADSL is installed in all communities having a school, and the smallest exchange with ADSL has only 66 access lines. ADSL speeds begin at 384K/192K.
- Valley Telecommunications, Inc. (Valley), a subsidiary of Nemont, provides telecommunications services to over 7,700 customers in four exchanges in northeastern Montana. Internet is available by local dial number, and ADSL is provided in all of Valley's exchanges. Valley currently has 226 ADSL customers.
- Project Telephone Company, a subsidiary of Nemont, provides telecommunications services to over 6,100 subscribers in eleven exchanges in southcentral Montana and northcentral Wyoming. Customers can access Internet with a local number and ADSL is provided in eight exchanges. Project currently has 34 ADSL customers.
- Nemont Communications, Inc. (NCI), formed in 1979, is a non-regulated subsidiary of Nemont. NCI owns fiber optic cable, operates Nemont Long Distance, provides pay phones, offers Internet services, makes available Interactive TV services to the schools, libraries and hospitals, and sells telecommunications systems.
- Sagebrush Cellular, Inc., another subsidiary of Nemont, provides cellular service in northeastern Montana with 23 cell sites. Sagebrush currently has over 6,200 customers.
- Missouri Valley Communications, Inc. (MVC), the newest member of the “Nemont Family”, was created to own and operate the Williston, North Dakota exchange. Williston has always been a “community of interest” of Nemont and its members. The Williston Chamber of Commerce also recognizes and appreciates the business northeastern Montana brings to the Williston community. The Chamber recently stated, “40% to 60% of their trade comes from northeastern Montana”.

Nemont is governed by an eleven member Board of Directors elected by the cooperative members. The Directors are active in community affairs, stay attuned to the needs and concerns of Nemont's members, and have been very progressive in the operation of the business. They have also extended the cooperative philosophy to the operation of Nemont's subsidiaries.

Recognizing the need to continually stay in touch with its customers, Nemont and its subsidiaries have an independent survey firm contact 50 members of each company every month to monitor their needs and concerns. Each year, employees and managers host customer appreciation lunches in several area communities and actively participate in community and economic development activities in all the areas served by Nemont and its subsidiaries.

Schools, libraries, and hospitals are an important part of the infrastructure needed to maintain our communities. Nemont has provided a consultant to work with those entities to obtain e-rate funding, and the schools have been successful in getting discounts of \$1,608,284 for telecommunications services in the last three funding cycles.

Financially, the consolidated balance sheet at 12/31/01 reflected total assets of \$87,766,871. Nemont's equity was \$43,786,978 or almost 50%. Consolidated net income for 12/31/01 was \$5,161,742 and the consolidated cash position was \$16,877,754. Long term debt was \$34,972,497, or 39.8% of total assets.

**The Nemont management team is comprised of the following individuals:**

- Richard J. Thronson, General Manager, has over 35 years of telecommunications experience. Dick began his career in Ray, North Dakota with Northwest Communications and was the General Manager of Valley Rural Telephone Cooperative when Valley Rural and Nemont merged, and has been the General Manager at Nemont since that time.
- Dennis E. Dunn, Director of Operations, has over 32 years of telecommunications experience. Prior to coming to work for Nemont, Dennis was employed by Citizens Utilities in the Pacific Northwest.
- Larry D. Wetsit, Customer Affairs Manager has been with Nemont for 10 years. Larry is responsible for the marketing and public relations.
- Kathy P. Greenwood, Finance and Accounting Manager, is a CPA and has been with Nemont for eight years. Kathy has 22 years of experience in accounting, auditing and finance.
- Ron Ostberg, Government Relations and Regulatory Manager, has almost 30 years experience in government relations and regulatory affairs of cooperatives.
- Gary Dascher, Sagebrush Cellular and Network Manager, has worked in the telecommunications industry for over 30 years. Gary has an extensive background with wireless operations and network design.

- Kaylin D. Gunderson, Human Resources Manager, has worked for Nemont for five years. Her B.A. degree is in English Education and Psychology, and she has continued coursework specific to Human Resources.

Nemont and its subsidiaries are committed to providing excellent service. Monthly summaries are reviewed by exchange for installation results, trouble reports, percent of commitments met, percent of troubles cleared within 24 hours, and repeat troubles. The following information was furnished by the Montana Public Service Commission in regards to customer complaints:

Nemont Long Distance – No complaints for 2002, 2001, or 2000.

Valley Telecommunications – 1 in 2002, 2 in 2001, and 5 in 2000.

Project Telephone Company – 3 in 2002, 4 in 2001, and 4 in 2000.

The number of complaints filed in the State of Montana in 2002 was 1,724. The number of complaints in 2001 was 1,728 and 1,874 in 2000.

Nemont takes pride in the quality of service it provides and has been recognized regionally, nationally, and internationally for its progressive position in providing advanced telecommunications services. If Missouri Valley is granted a Certificate of Public Convenience and Necessity by the North Dakota Public Service Commission, customers in the Williston exchange can be assured of the same quality of service enjoyed by Nemont's current subscribers.

#### **Plans for Missouri Valley Communications, Inc.**

MVC will honor the existing local rates, the extended calling area for the Williston exchange and the existing customer contracts. MVC will operate under price cap regulation. MVC will comply with the current interconnection agreements Citizens has signed with exchange carriers. MVC intends to adopt the Intrastate access rates currently used by Nemont for its exchanges in North Dakota.

If you have any questions, please do not hesitate to contact us at 1-866-572-7744. Thank you for your consideration of our pre-hearing testimony.

Sincerely,



Richard J. Thronson  
General Manager

Enclosure: Map of service area





Public Service Commission  
State of North Dakota

COMMISSIONERS

Susan E. Wefald, President  
Leo M. Reinbold  
Anthony T. Clark

Executive Secretary  
Jon H. Mielke

600 E Boulevard Ave. Dept. 408  
Bismarck, North Dakota 58505-0480  
web: www.psc.state.nd.us  
e-mail: sab@oracle.psc.state.nd.us  
TDD 800-366-6888  
Fax 701-328-2410  
Phone 701-328-2400

October 18, 2002

Mr. Jon Mielke, Executive Secretary  
Public Service Commission  
State Capitol  
Bismarck, ND 58505

Re: Sale of Williston Exchange  
Case No. PU-2779-02-452

Dear Mr. Mielke:

Attached is my pre-filed testimony for the hearing in Williston next  
Tuesday.

Sincerely,

Mike Diller  
Director of Accounting

c: Mr. Patrick Durick  
Ms. Kathy Greenwood

Direct Testimony

**Mike Diller**

Before the **North Dakota Public Service Commission**

**Missouri Valley Communications, Inc.**

Case No. PU-399-01-186

**Public Convenience & Necessity**

**Williston Exchange**

October 22, 2002

1 **Qualifications**

2 Q: Provide your name and position at the North Dakota Public  
3 Service Commission.

4 A: My name is Mike Diller and I am the Director of Accounting. I  
5 am responsible for the Commission's accounting and data  
6 processing operations and any assigned public utility matters.

7  
8 Q: Provide a summary of your educational background and public  
9 utility regulatory experience.

10 A: I have more than 18 years of public utility regulatory  
11 experience including service for both the Oklahoma Corporation  
12 Commission and the North Dakota Public Service Commission. I  
13 received a Bachelor of Science Degree in Accounting from  
14 Oklahoma Christian College in Edmond, Oklahoma in 1981. I am a  
15 Certified Public Accountant licensed in the state of Oklahoma, and I  
16 am a member of the American Institute of Certified Public  
17 Accountants.

18  
19 Q: Have you provided testimony in North Dakota before?

20 A: Yes. I have testified before the Commission on telephone  
21 acquisition proposals, rate cases, offers of settlement and other  
22 issues.

23  
24 **Summary**

25 Q: What is the purpose of your testimony?

26 A: I am responsible for addressing the financial ability of Missouri  
27 Valley Communications, Inc. (MVCI) to acquire the Williston local  
28 telephone exchange. I will also comment on the applicant's pre-filed  
29 testimony.

1 Q: Based on your review, what conclusions have you reached?

2 A: I believe that MVCI has the financial wherewithal to complete  
3 this transaction and to continue providing service to the people of  
4 Williston on an ongoing basis.

5

6 **Analysis**

7 Q: What did you consider in reaching your conclusion?

8 A: The strongest argument for financial viability is the completion  
9 of the deal itself. In this instance, the Rural Telephone Finance  
10 Cooperative (RTFC) has committed to provide a 15-year secured  
11 long-term loan of \$20 million and MVCI has agreed to provide \$8.2  
12 million of capital. Given the significant commitment of these two  
13 parties and the financial obligations imposed on MVCI, I would be  
14 remiss to ignore the deal and rely solely on my own financial  
15 analysis.

16 I also considered the audited consolidated financial  
17 statements of the parent company, Nemont Telephone Cooperative,  
18 Inc. (Nemont), to get an idea of the financial strength of the  
19 consolidated company prior to acquiring the Williston exchange. On  
20 the asset side of the balance sheet, Nemont shows consolidated  
21 cash of nearly \$17 million as of December 31, 2001, compared to  
22 total net assets of \$87.8 million. On the liability and equity side of  
23 the balance sheet, Nemont has \$31.6 million of long-term debt or  
24 about 72 cents of long-term debt for every one dollar of equity.  
25 During the past two years, Nemont has been able to increase its  
26 equity through consolidated earnings of \$4.4 million and \$5.2 million  
27 for the years ending 2000 and 2001, respectively. Further, the  
28 consolidated company enjoyed a 2001 TIER ratio of 4.21 or the  
29 ability to pay actual long-term debt costs 4.21 times. Based on my

1 review and experience, Nemont is a very healthy financial  
2 enterprise.

3

4 Q: In a worst-case scenario, what if the financial objectives of  
5 RTFC are not achieved and it fails to service its debt?

6 A: Under the terms of the letter of commitment, RTFC would be  
7 able to go against the guarantor of the loan, Valley  
8 Telecommunications, Inc (Valley). Valley is a subsidiary of Nemont  
9 and has equity of \$10.8 million as of December 31, 2001. In the  
10 event the guarantor was unable to satisfy the debt obligation, RTFC  
11 would still have recourse against MVCI through its first mortgage lien  
12 on all current and future assets and revenues of MVCI as collateral.  
13 If both parties could not satisfy the debt obligations, any acquisition  
14 costs and improvements financed through equity would be lost and  
15 accrue to the benefit of the RTFC. Such a scenario would likely end  
16 up with RTFC reselling the improved exchange to another buyer for  
17 less money. I believe the chances of this occurring are near zero  
18 but illustrates why I support the sales transaction from a financial  
19 viability standpoint.

20

21 Q: Do you have any other comments?

22 A: Yes, I will comment on the pre-filed testimony of MVCI  
23 received October 17, 2002. I am very impressed with the extent to  
24 which Nemont and affiliates go to court the satisfaction of its  
25 customers. Equally impressive are the results achieved from its  
26 Montana telephone companies. For instance, Valley serves  
27 approximately 7,700 customers in Montana and only two complaints  
28 were registered with the Montana Public Service Commission in  
29 2001. Project Telephone Company (Nemont subsidiary) serves

1 approximately 6,100 customers in Montana and the Montana  
2 commission only received 4 complaints in 2001. Comparatively, the  
3 North Dakota Public Service Commission received 56 complaints in  
4 2001 from the customers of the seller, Citizens Telecommunications  
5 Company of North Dakota.

6

7 Q: Does this conclude your testimony?

8 A: Yes, it does.

9

# PEARCE & DURICK

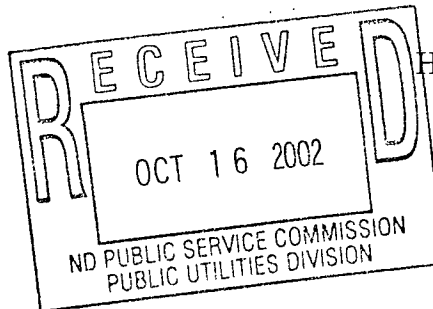
WILLIAM R. PEARCE 1910-1978  
WILLIAM P. PEARCE  
PATRICK W. DURICK  
B. TIMOTHY DURICK  
GARY R. THUNE •  
DAVID E. REICH  
JEROME C. KETTLESON  
LARRY L. BOSCHIE •  
LAWRENCE BENDER, PC •  
JONATHAN P. SANSTEAD

ATTORNEYS AT LAW  
314 EAST THAYER AVENUE  
P.O. BOX 400  
BISMARCK, NORTH DAKOTA 58502

TELEPHONE (701) 223-2890  
FAX (701) 223-7865  
E-MAIL: law.office@pearce-durick.com

OF COUNSEL  
HARRY J. PEARCE

October 14, 2002



HAND DELIVERED

Mr. Jerry Lein  
Public Service Commission  
State of North Dakota  
12<sup>th</sup> Floor  
Capitol  
Bismarck, ND 58505-0480

RE: **Application of Missouri Valley Communications, Inc. for Certificate of Public Convenience and Necessity and Expansion of Missouri Valley Communications, Inc.'s Eligible Telecommunications Carrier Designated Geographical Service Area**  
Case No. ~~PU-424-02-454~~ *PU-2779-02-452*

Dear Mr. Lein:

In support of the captioned application, I have attached hereto a copy of the current By-Laws of Missouri Valley Communications, Inc.

Please feel free to contact me if you require any further information or if you wish to discuss any matter concerning the captioned application.. I appreciate your cooperation and assistance in this matter.

Sincerely,

PEARCE & DURICK

PATRICK W. DURICK

PWD/jf  
Enclosure.

cc w/o enc: Mr. Richard Thronson  
Ms. Kathy Greenwood  
Mr. Steve Metts

11 PU-2779-02-452

Pages: 1

Cover letter re Bylaws

by Missouri Valley Communications, Inc. by Patrick W  
10/16/2002 CC: Comm Legal Ilona Jerry .

• ALSO LICENSED IN MINNESOTA

• ALSO

**BYLAWS OF MISSOURI VALLEY COMMUNICATIONS, INC.**

**ARTICLE I. OFFICES**

**Section 1.1 Business Office.**

The principal office of the corporation shall be located at any place either within or outside the state of North Dakota as designated in the company's most current Annual Report filed with the North Dakota Secretary of State. The corporation may have such other offices, either within or without the State of North Dakota as the board of directors may designate or as the business of the corporation may require from time to time. The corporation shall maintain at its principal office a copy of certain records, as specified in Section 2.14 of Article II.

**Section 1.2 Registered Office.**

The registered office of the corporation shall be located within the State of North Dakota and may be, but need not be, identical with the principal office (if located within North Dakota). The address of the registered office may be changed from time to time.

**ARTICLE II. SHAREHOLDERS**

**Section 2.1 Annual Shareholder Meeting.**

The annual meeting of the shareholders shall be held on a day during the month of April as shall be fixed by the board of directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of North Dakota such meeting shall be held on the next succeeding business day.

If the election of directors shall not be held on the day designated herein for any annual meeting of the shareholders, or at any subsequent continuation after adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as convenient. Any annual meeting may be held by phone if the corporation has fifty or fewer shareholders and if the board of directors so authorizes.

**Section 2.2 Special Shareholder Meetings**

Special meetings of the shareholders, for any purpose or

purposes, described in the meeting notice, may be called by the president, or by the board of directors and shall be called by the president at the request of the holders of not less than one-tenth of all outstanding votes of the corporation entitled to be cast on any issue at the meeting. Any such annual meeting may be held by phone, if the corporation has fifty or fewer shareholders and if the board of directors so authorizes.

### **Section 2.3 Place of Shareholder Meeting**

The board of directors may designate any place within the county in the State of North Dakota where the company has its principal office as the place of meeting for any annual or special meeting of the shareholders, unless all the shareholders entitled to vote at the meeting agree by written consents (which may be in the form of waiver of notice or otherwise) to another location, which may be either within or without the State of North Dakota. If no designation is made, the place of meeting shall be the principal office of the corporation in the State of North Dakota.

### **Section 2.4 Notice of Shareholder Meeting.**

- (a) *Required notice.* Written notice stating the place, day and hour of any annual or special shareholder meeting shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail by or at the direction of the president, the board of directors, or other persons calling the meeting, to each shareholder of record, entitled to vote at such meeting and to any other shareholder entitled by the North Dakota Business Corporation Act to receive notice of the meeting. Notice shall be deemed to be effective at the earlier of: (1) when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the stock transfer books of the corporation, with postage thereon prepaid; (2) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; (3) when received; or (4) 5 days after deposit in the United States mail, if mailed postpaid and correctly addressed to an address other than that shown in the corporation's current record of shareholders.
- (b) *Adjourned Meeting.* If any shareholder meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time and place, if the

new date, time, and place is announced at the meeting before adjournment. But if a new record date for the adjourned meeting is, or must be fixed (see Section 2.5 of this Article II) then notice must be given pursuant to the requirements of paragraph (a) of this Section 2.4, to those persons who are shareholders as of the new record date.

- (c) *Waiver of Notice.* The shareholder may waive notice of the meeting (or any notice required by the Act, articles of incorporation, or bylaws), by a writing signed by the shareholder entitled to the notice, which is delivered to the corporation (either before or after the date and time stated in the notice) for inclusion in the minutes or filing with the corporate records.

A shareholder's attendance at a meeting,

- (1) waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting.
- (2) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

- (d) *Contents of Notice.* The notice of each special shareholder meeting shall include a description of the purpose or purposes for which the meeting is called. Except as provided in this Section 2.4(d), or as provided in the corporation's articles, or otherwise in the North Dakota Business Corporation Act, the notice of an annual shareholder meeting need not include a description of the purpose or purposes for which the meeting is called.

If a purpose of any shareholder meeting is to consider either: (1) a proposed amendment to the articles of incorporation (including any restated articles requiring shareholder approval); (2) a plan of merger or share exchange; (3) the sale, lease, exchange or other disposition of all, or substantially all of the corporation's property; (4) the dissolution of the corporation; or (5) the removal of a director, the notice must so state and be accompanied by respectively a copy

or summary of the: (1) articles of amendment; (2) plan of merger or share exchange; or (3) transaction for disposition of all the corporation's property. If the proposed corporate action creates dissenters' rights, the notice must state that shareholders are, or may be entitled to assert dissenters' rights, and must be accompanied by a copy of section(s) of the North Dakota Business Corporation Act governing dissenters' rights. If the corporation issues, or authorizes the issuance of shares for promissory notes or for promises to render services in the future, the corporation shall report in writing to all the shareholders the number of shares authorized or issued, and the consideration received with or before the notice of the next shareholder meeting. Likewise, if the corporation indemnifies or advances expenses to a director (as defined in North Dakota Business Corporation Act), this shall be reported to all the shareholders with or before notice of the next shareholder's meeting.

#### **Section 2.5 Fixing of Record Date.**

For the purpose of determining shareholders of any voting group entitled to notice of or to vote at any meeting of shareholders, or shareholders entitled to receive payment of any distribution or dividend, or in order to make a determination of shareholders for any other proper purpose, the board of directors may fix in advance a date as the record date. Such record date shall not be more than 70 days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If no record date is so fixed by the board for the determination of shareholders entitled to notice of, or to vote at a meeting of shareholders, or shareholders entitled to receive a share dividend or distribution, the record date for determination of such shareholders shall be at the close of business on December 31 of the year in question.

When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof unless the board of directors fixes a new record date which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

#### **Section 2.6 Shareholder List.**

The officer or agent having charge of the stock transfer books

for shares of the corporation shall make a complete record of the shareholders entitled to vote at each meeting of shareholders thereof, arranged in alphabetical order, with the address of and the number of shares held by each. The list must be arranged by class or series of shares. The shareholder list must be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting. The list shall be available at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting is to be held. A shareholder, his or her agent or attorney is entitled on written demand to inspect and, subject to the requirements of Section 2.14 of this Article II, to copy the list during regular business hours and at his or her expense, during the period it is available for inspection. The corporation shall maintain the shareholder list in written form or in another form capable of conversion into written form within a reasonable time.

#### **Section 2.7 Shareholder Quorum and Voting Requirements.**

A majority of the votes entitled to be cast on the matter constitutes a quorum of the shareholders for action on that matter.

Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of the meeting unless a new record date is or must be set for that adjourned meeting.

If a quorum exists, action on a matter (other than the election of directors) is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the North Dakota Business Corporation Act requires a greater number of affirmative votes.

#### **Section 2.8 Proxies.**

At all meetings of shareholders, a shareholder may vote in person, or vote by proxy which is executed in writing by the shareholder or which is executed by his or her duly authorized attorney-in-fact. Such proxy shall be filed with the secretary of the corporation or other person authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy.

#### **Section 2.9 Voting of Shares.**

Except as otherwise provided by these bylaws or the provisions of the North Dakota Business Corporation Act, each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders.

Except as provided by specific court order, no shares held by another corporation, if a majority of the shares entitled to vote for the election of directors of such other corporation are held by the corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting. Provided, however the prior sentence shall not limit the power of the corporation to vote any shares, including its own shares, held by it in a fiduciary capacity.

Redeemable shares are not entitled to vote after notice or redemption is mailed to the holders and a sum sufficient to redeem the shares has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares.

#### **Section 2.10 Corporation's Acceptance of Votes.**

- (a) If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a shareholder, the corporation if acting in good faith is entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholders.
- (b) If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of its shareholder, the corporation if acting in good faith is nevertheless entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder if:
  - (1) the shareholder is an entity as defined in the North Dakota Business Corporation Act and the name signed purports to be that of an officer or agent of the entity;
  - (2) the name signed purports to be that of an administrator, executor, guardian, or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy

appointment;

- (3) the name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;
  - (4) the name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder has been presented with respect to the vote, consent, waiver, or proxy appointment.
  - (5) two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all the co-owners.
- (c) The corporation is entitled to reject a vote, consent, waiver, or proxy appointment if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.
  - (d) The corporation and its officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this section are not liable in damages to the shareholder for the consequences of the acceptance or rejection.
  - (e) Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy appointment under this section is valid unless a court of competent jurisdiction determines otherwise.

#### **Section 2.11 Informal Action by Shareholders.**

Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if one or more consents in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to

the subject matter thereof and are delivered to the corporation for inclusion in the minute book. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

#### **Section 2.12 Meetings Held by Phone.**

If the corporation has fifty or fewer shareholders and the board of directors so authorizes, shareholders may participate in annual and special meetings of the shareholders by means of communication by which all of the shareholders participating may simultaneously hear each other during the meeting. Any shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

#### **Section 2.13 Voting for Directors' Cumulative Voting.**

- (a) *General Provisions.* In all elections of directors, each shareholder shall be entitled to as many votes as shall equal the number of the shareholder's shares multiplied times the number of directors to be elected, and the shareholders may cast all of such votes for a single director or may distribute them among the number to be voted for, any two or more of them, as the shareholders may desire.
- (b) *Plurality.* Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

#### **Section 2.14 Shareholder's rights to Inspect Corporate Records.**

- (a) *Minutes and Accounting Records.* The corporation shall keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directions without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the corporation. The corporation shall maintain appropriate accounting records.
- (b) *Absolute Inspection Rights of Records Required at Principal Office.* If a shareholder gives the corporation written notice of his or her demand at least five business days before the date on which he or she wishes to inspect and copy, a shareholder (or his or her agent or attorney) has the right to inspect and copy, during

regular business hours any of the following records, all of which the corporation is required to keep at its principal office:

- (1) its articles or restated articles of incorporation and all amendments to them currently in effect;
  - (2) its bylaws or restated bylaws and all amendments to them currently in effect;
  - (3) resolutions adopted by its board of directors creating one or more classes or series of shares, and fixing their relative rights, preferences, and limitations, if shares issued pursuant to those resolutions are outstanding.
  - (4) the minutes of all shareholders' meetings, and records of all action taken by shareholders without a meeting, for the past three years;
  - (5) the financial statements required by the North Dakota Business Corporation Act to be available to shareholders for the past three years.
  - (6) a list of the names and business addresses of its current directors and officers; and
  - (7) its most recent annual report delivered to the Secretary of State.
- (e) *Conditional Inspection Right.* In addition, (i) if a shareholder has been a shareholder of record for at least six months preceding a written demand or the shareholder is a holder of record of at least five percent of all the outstanding shares of the corporation; (ii) a shareholder gives the corporation a written demand made in good faith and for a proper purpose at least five business days before the date on which the shareholder wishes to inspect and copy; (iii) the shareholder describes with reasonable particularity his or her purpose and the records he or she desires to inspect; and (iv) the records are directly connected with the shareholder's purpose, a shareholder of a corporation (or his or her agent or attorney) is entitled to inspect and copy, during regular business hours at a reasonable location specified by the corporation, any of the following records of the corporation:

- ( )
- (1) excerpts from minutes of any meeting of the board of directors, records of any action of a committee of the board of directors on behalf of the corporation, minutes of any meeting of the shareholders, and records of action taken by the shareholders or board of directors without a meeting, to the extent not subject to inspection under paragraph (a) of this section 2.14.
  - (2) accounting records of the corporation; and
  - (3) the record of shareholders (compiled no earlier than the date of the shareholder's demand).
- (d) *Copy Costs.* The right to copy records includes, if reasonable, the right to receive copies made by photocopying. The corporation may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the shareholder. The charge may not exceed the estimated cost of production or reproduction of the records.
- (e) *Shareholder Includes Beneficial Owner.* For purposes of this section 2.14, the term "shareholder" shall include a beneficial owner whose shares are held in a voting trust or by a nominee on his or her behalf.

**Section 2.15 Order of Business.**

The order of business at a shareholders meeting shall be as follows:

- (a) call to order,
- (b) presentation of proof of due call of meeting,
- (c) presentation and examination of process,
- (d) reading of prior minutes,
- (e) report of officers,
- (f) election of directors, if that is the purpose of the meeting,
- (g) unfinished business,

- (h) new business,
- (i) adjournment.

The presiding officer shall establish reasonable rules, not inconsistent with these bylaws, regarding how the meeting is conducted.

### **ARTICLE III. BOARD OF DIRECTORS**

#### **Section 3.1 General Powers.**

All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of the board of directors.

#### **Section 3.2 Number, Tenure, and Qualifications of Directors.**

The number of directors of the corporation shall not exceed nine (9). Each director shall hold office until the next annual meeting of shareholders and until his successor shall have been elected or appointed as provided herein.

No more than seven (7) nor less than five (5) of the directors shall be elected by the shareholders.

No more than four nor less than two (2) shall be appointed by a majority vote of the elected directors on a year to year basis so as to give geographical representation to the areas that the corporation provides telecommunications services. The elected directors may remove any appointed director who fails without a valid excuse to attend two (2) properly called meetings in any calendar year.

All appointed directors may be removed for conduct detrimental to the interests of the corporation or conduct which is contrary or adverse to prior actions or policies of the board of directors by a majority vote of the elected members of the board.

#### **Section 3.3 Regular Meetings of the Board of Directors.**

A regular meeting of the board of directors shall be held without other notice than this bylaw immediately after, and at the same place as, the annual meeting of shareholders. The board of directors may provide, by resolution, the time and place (which shall be within the county where the company's principal office is located) for the holding of additional regular meetings without

( )

other notice than such resolution. Any such regular meeting may be held by phone.

**Section 3.4 Special Meetings of the Board of Directors.**

Special meetings of the board of directors may be called by or at the request of the president or any one director. The person authorized to call special meetings of the board of directors may fix any place, only within the county where this corporation has its principal office as the place for holding any special meeting of the board of directors, or if permitted by Section 3.7, such meeting may be held by telephone.

**Section 3.5 Notice of, and Waiver of Notice for, Special Director Meetings.**

Notice of any special director meeting shall be given at least two days previously thereto either orally or in writing. If mailed, notice of any director meeting shall be deemed to be effective at the earlier of: (1) when received; (2) five days after deposited in the United States mail, addressed to the director's business office, with postage thereon prepaid; or (3) the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the director. Any director may waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting (or promptly upon his or her arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting. Unless required by the North Dakota Business Corporation Act, neither the business to be transacted at, nor the purpose of, any special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

**Section 3.6 Director Quorum.**

A majority of the number of directors shall constitute a quorum for the transaction of business at any meeting of the board of directors, unless the articles require a greater number.

**Section 3.7 Directors, Manner of Acting.**

The act of the majority of the directors present at a meeting at which a quorum is present when the vote is taken shall be the act of the board of directors.

Any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

A director who is present at a meeting of the board of directors or a committee of the board of directors when corporate action is taken is deemed to have assented to the action taken unless: (1) the director objects at the beginning of the meeting (or promptly upon his or her arrival) to holding it or transacting business at the meeting; or (2) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (3) he or she delivers written notice of his or her dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

### **Section 3.8 Director Action Without a Meeting.**

Any action required or permitted to be taken by the board of directors at a meeting may be taken without a meeting if all the directors take the action, each one signs a written consent describing the action taken, and the consents are filed with the records of the corporation. Action taken by consents is effective when the last director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be described as such in any document.

### **Section 3.9 Removal of Directors.**

The shareholders may remove one or more directors at a meeting called for that purpose if notice has been given that a purpose of the meeting is such removal. The removal may be with or without cause. If less than all of the directors are to be removed, a director may not be removed if (a) the number of votes sufficient to elect him or her under cumulative voting is voted against his or her removal, or (b) the number of votes cast for removal is less than two-thirds of the number of votes entitled to vote. The entire board of directors may be removed only by a vote of a

majority of the shares entitled to vote. Notwithstanding the previous sentence, if the corporation has 100 or more shareholders, the entire board of directors of a corporation may be removed only by a vote of the holders of two-thirds of the shares entitled to vote.

### **Section 3.10 Board of Director Vacancies.**

If a vacancy occurs on the board of directors, including a vacancy resulting from an increase in the number of directors, the shareholders may fill the vacancy. During such time that the shareholders fail or are unable to fill such vacancies then and until the shareholders act:

- (1) the board of directors may fill the vacancy, or
- (2) if the directors remaining in office constitute fewer than a quorum of the board, they may fill the vacancy by the affirmative vote of a majority of all the directors remaining in office.

A vacancy that will occur at a specific later date (by reason of a resignation effective at a later date) may be filled before the vacancy occurs but the new director may not take office until the vacancy occurs.

The term of a director elected to fill a vacancy expires at the next shareholders' meeting at which directors are elected. However, if the director's term expires, the director shall continue to serve until his or her successor is elected and qualifies or until there is a decrease in the number of directors.

### **Section 3.12 Director Compensation.**

By resolution of the board of directors, each director may be paid his or her expenses, if any, of attendance at each meeting of the board of directors, and may be paid a stated salary as director or a fixed sum for attendance at each meeting of the board of directors or both. No such payment shall preclude any director from serving the corporation in any capacity and receiving compensation therefor.

### **Section 3.13 Director Committees.**

- (a) **Creation of Committees.** The board of directors may create one or more committees and appoint members of the board of directors to serve on them. Each committee must have

two or more members, who serve at the pleasure of the board of directors.

- (b) **Selection of Members**. The creation of a committee and appointment of members to it must be approved by a majority of all the directors in office when the action is taken.
- (c) **Required Procedures**. Sections 3.4, 3.5, 3.6, 3.7, and 3.8 of this Article III, which govern meetings, action without meetings, notice and waiver of notice, quorum and voting requirements of the board of directors, apply to committees and their members.
- (d) **Authority**. Each committee may exercise those aspects of the authority of the board of directors which the board of directors confers upon such committee in the resolution creating the committee. Provided, however, a committee may not:
  - (1) authorize distributions;
  - (2) approve or propose action that the North Dakota Business Corporation Act requires be approved by shareholders;
  - (3) fill vacancies on the board of directors or on any of its committees;
  - (4) amend the articles of incorporation pursuant to any authority of directors, granted by the North Dakota Business Corporation Act;
  - (5) adopt, amend, or repeal bylaws;
  - (6) approve a plan of merger not requiring shareholder approval;
  - (7) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the board of directors; or
  - (8) authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except that the board of directors may authorize a

( )

committee (or a senior executive officer of the corporation) to do so within limits specifically prescribed by the board of directors.

**Section 3.14 Equal Division of Board; Arbitration.**

If the board of directors shall be equally divided respecting the management of the property, business and affairs of the corporation, or any aspect thereof or any transaction involved therein, or shall be equally divided on any question, dispute or controversy, and such equal division concerns a proper subject for action by the board, such equal division may be submitted to arbitration in the following manner:

- (a) Upon written request by any director submitted at a duly organized meeting of the board of directors, a majority of the members of the board shall agree upon a single arbitrator. If a majority of the members of the board cannot agree on a single arbitrator, then the board shall select two arbitrators, each director having, in such selection, a number of votes equal to the number of directors under a system of cumulative voting, after two arbitrators are appointed, those two arbitrators shall select a third arbitrator. If the initial two arbitrators are unable to agree within fifteen days upon the third arbitrator, the third arbitrator shall be appointed by them from the Panels of Arbitrators of the American Arbitration Association in accordance with its rules then in effect;
- (b) The arbitrators shall decide, resolve and determine the matters respecting which the board may be equally divided, including (but not limited to) all collateral matters such as whether such matter is a proper subject for action by the board of directors, whether such matters have been properly submitted to them for decision, whether the board is actually equally divided, and whether this section and the provisions for arbitration hereunder are properly invoked and applicable, to the end that all questions, disputes and controversies be resolved, determined and adjudged by the arbitrators; and the decision of such arbitrators on all matters submitted to them hereunder shall be conclusive and binding upon the board of directors, the corporation and the parties.
- (c) The arbitrators shall conduct the arbitration proceedings

in accordance with the rules of the American Arbitration Association, as then in effect, insofar as such rules are not in conflict with this section.

- (d) The decision of the arbitrators shall be final and conclusive, shall be the equivalent of a resolution unanimously passed by the full board at a meeting duly convened, and shall not be revoked or amended or overruled except by majority action of the board of directors or the shareholders of the corporation. Such decision shall be forthwith filed with the secretary of the corporation; and judgment on such decision may be entered in the highest court of the forum having jurisdiction.

#### **ARTICLE IV. OFFICERS**

##### **Section 4.1 Number of Officers.**

The officers of the corporation shall be a president, a secretary, and a treasurer, each of whom shall be appointed by the board of directors. Such other officers and assistant officers as may be deemed necessary, including any vice-presidents, may be appointed by the board of directors. If specifically authorized by the board of directors, an officer may appoint one or more officers or assistant officers. The same individual may simultaneously hold more than one office in the corporation.

##### **Section 4.2 Appointment and Term of Office.**

The officers of the corporation shall be appointed by the board of directors for a term as determined by the board of directors. If no term is specified, they shall hold office until they resign, die, or until they are removed in a manner provided in Section 4.3 of this Article IV.

The designation of a specified term does not grant to the officer any contract rights, and the board can remove the officer at any time prior to the termination of such term.

##### **Section 4.3 Removal of Officers.**

Any officer or agent may be removed by the board of directors at any time, with or without cause. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Appointment of an officer or agent shall not of itself create contract rights.

#### **Section 4.4 President.**

The president shall be the principal executive officer of the corporation and, subject to the control of the board of directors, shall in general supervise and control all of the business and affairs of the corporation. The president shall, when present, preside at all meetings of the shareholders and of the board of directors. The president in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors from time to time.

#### **Section 4.5 The Vice-Presidents.**

If appointed, in the absence of the president or in the event of the president's death, inability or refusal to act, the vice-presidents (or in the even there be more than one vice-president, the vice-presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their appointment) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. (If there is no vice-president, then the treasurer shall perform such duties of the president.) Any vice-president may sign, with the secretary or an assistant secretary, certificates for shares of the corporation the issuance of which have been authorized by resolution of the board of directors; and shall perform such other duties as from time to time may be assigned by the president or by the board of directors.

#### **Section 4.6 The Secretary.**

The secretary shall: (a) keep the minutes of the proceedings of the shareholders and of the board of directors in one or more books provided for that purpose; (b) arrange that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) be custodian of the corporate records and of any seal of the corporation and if there is a seal of the corporation, see that it is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) when requested or required, authenticate any records of the corporation; (e) keep a register of the post office address of each shareholder which shall be furnished to the secretary by such shareholder; (f) sign with the president, or a vice-president, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the board of directors; (g) have general charge of the stock transfer books of the corporation; and (h) in general perform all duties incident to the office of secretary and such other duties as from time to time may be

assigned by the president or by the board of directors.

#### **Section 4.7 The Treasurer.**

The treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies, or other depositories as shall be selected by the board of directors; and (c) in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned by the president or by the board of directors. If required by the board of directors, the treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the board of directors shall determine.

#### **Section 4.8 Assistant Secretaries and Assistant Treasurers.**

The assistant secretaries, when authorized by the board of directors, may sign with the president or a vice-president certificates for shares of the corporation the issuance of which shall have been authorized by a resolution of the board of directors. The assistant treasurers shall respectively, if required by the board of directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the board of directors shall determine. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or the treasurer, respectively, or by the president or the board of directors.

#### **Section 4.9 Salaries.**

The salaries of the officers shall be fixed from time to time by the board of directors.

### **ARTICLE V. INDEMNIFICATION OF DIRECTORS, OFFICERS AGENTS, AND EMPLOYEES**

#### **Section 5.1 Indemnification of Directors.**

##### *(a) Determination and Authorization*

The corporation shall not indemnify a director under Section 5.1 of Article V unless (1) a determination has been made in accordance with the procedures set forth in North Dakota Business Corporation Act that the director met the standard of

conduct set forth in subsection (b) below, and (2) payment has been authorized in accordance with the procedures set forth in the North Dakota Business Corporation Act based on a conclusion that the expenses are reasonable, the corporation has the financial ability to make the payment, and the financial resources of the corporation should be devoted to this use rather than some other use by the corporation.

(b) *Standard of Conduct*

The individual shall demonstrate that:

- (1) he or she conducted himself or herself in good faith; and
- (2) he or she reasonably believed:
  - (i) in the case of conduct in his or her official capacity with the corporation, that his or her conduct was in its best interests;
  - (ii) in all other cases, that his or her conduct was at least not opposed to its best interests; and
  - (iii) in the case of any criminal proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful.

The corporation shall not indemnify a director under Section 5.1 of Article V:

- (1) in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation; or
- (2) in connection with any other proceeding charging improper personal benefit to him or her, whether or not involving action in his or her official capacity, in which he or she was adjudged liable on the basis that personal benefit was improperly received by him or her.

(c) Limitation

Indemnification permitted under section 5.1 of Article V in connection with a proceeding by the corporation or in the right of the corporation is limited to the reasonable expenses incurred in connection with the proceeding.

### **Section 5.2 Advance Expenses for Directors.**

If a determination is made, following the procedures of the North Dakota Business Corporation Act that the director has met the following requirements; and if an authorization of payment is made, following the procedures and standards set forth in the North Dakota Business Corporation Act then the company shall pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if:

- (1) the director furnished the corporation a written affirmation of his or her good faith belief that he or she has met the standard of conduct described in Section 5.1 of this Article V;
- (2) the director furnishes the corporation a written undertaking, executed personally or on his or her behalf, to repay the advance if it is ultimately determined that he or she did not meet the standard of conduct (which undertaking must be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make repayment); and
- (3) a determination is made that the facts then known to those making the determination would not preclude indemnification under Section 5.1 of this Article V or the provisions of the North Dakota Business Corporation Act.

### **Section 5.3 Indemnification of Officers, Agents and Employees Who Are Not Directors.**

The board of directors may indemnify and advance expenses to any officer, employee, or agent of the corporation, who is not a director of the corporation, to any extent consistent with public policy, as determined by the general or specific action of the board of directors.

### **Section 5.4 Mandatory Indemnification.**

Notwithstanding any other provisions of these bylaws, the corporation shall indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the director was a party because he or she is or was a director of the corporation against reasonable expenses incurred by

the directors in connection with the proceeding.

**ARTICLE VI. CERTIFICATES OR STATEMENTS FOR SHARES  
AND THEIR TRANSFER**

**Section 6.1 Certificates or Statements for Shares.**

(a) *Content*

Certificates representing shares of the corporation shall at minimum, state on their face the name of the issuing corporation and that it is formed under the laws of North Dakota; the name of the person to whom issued; and the number and class of shares and the designation of the series, if any, the certificate represents; and be in such form as determined by the board of directors. Such certificates shall be signed either manually (or by facsimile) by the president or a vice-president and by the secretary or an assistant secretary and may be sealed with a corporate seal or a facsimile thereof. Each certificate for shares shall be consecutively numbered or otherwise identified.

The board of directors may authorize the issuance of shares without certificates in accordance with the provisions of 35-1-627, North Dakota Code Annotated, in which event a shareholder will be sent the statement referred to in said code section, which requires that the statement contain the same information as is required for certificates.

(b) *Legend as to Class or Series*

If the corporation is authorized to issue different classes of shares or different series within a class, the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the board of directors to determine variations for future series) must be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the corporation will furnish the shareholder this information on request in writing and without charge.

(c) *Shareholder List*

The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation.

(d) *Transferring Shares*

All certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed, or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the corporation as the board of directors may prescribe.

**Section 6.2 Registration of the Transfer of Shares.**

Registration of the transfer of shares of the corporation shall be made only on the stock transfer books of the corporation. In order to register a transfer, the record owner shall surrender the shares to the corporation for cancellation, properly endorsed by the appropriate person or persons with reasonable assurances that the endorsements are genuine and effective. Unless the corporation has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the corporation as the owner, the person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

**Section 6.3 Restrictions on Transfer.**

The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction imposed by the corporation upon the transfer of such shares.

**Section 6.4 Stock Regulations.**

The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with the statutes of the State of North Dakota as it may deem expedient concerning lost stock certificates, the issue, transfer and registration of certificates representing shares of the corporation.

**ARTICLE VII. CORPORATE SEAL**

**Section 7.1 Corporate Seal.**

The board of directors may provide a corporate seal which may be circular in form and have inscribed thereon any designation including the name of the corporation, North Dakota as the state of incorporation, and the words "Corporate Seal."

**ARTICLE VIII. CONTRACTS, LOANS, CHECKS AND DEPOSITS;  
SPECIAL CORPORATE ACTS**

**Section 8.01 Contracts.**

The Board of directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages and instrument of assignment or pledge made by the corporation shall be executed by the President and by the Secretary.

**Section 8.02 Loans.**

No indebtedness for borrowed money shall be contracted on behalf of the corporation and no evidences of such indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to special instances.

**Section 8.03 Checks, Drafts, etc.**

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

**Section 8.04 Deposits.**

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks or other depositaries as may be selected by or under the authority of a resolution of the Board of Directors.

**Section 8.05 Voting of Securities Owned by this Corporation.**

Subject always to the specific directions of the Board of Directors, (a) any shares or other securities issued by any other corporation and owned or controlled by this corporation may be voted at any meeting of security holders of such other corporation by the President of this corporation who may be present, and (b) whenever, in the judgment of the President, or in the President's absence, of the Vice-President, it is desirable for this

corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other corporation and owned by this corporation, such proxy or consent shall be executed in the name of this corporation by the President or Vice-President of this corporation, without necessity of any authorization by the Board of Directors, affixation of corporate seal or countersignature or attestation by another officer. Any person or persons designated in the manner above stated as the proxy or proxies of this corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by this corporation the same as such shares or other securities might be voted by this corporation.

#### **ARTICLE IX. EMERGENCY BYLAWS**

##### **Section 9.1 Emergency Bylaws.**

Unless the articles of incorporation provide otherwise, the following provisions of this Article IX, Section 9.1 "Emergency Bylaws" shall be effective during an emergency which is defined as when a quorum of the corporation's directors cannot be readily assembled because of some catastrophic event.

During such emergency:

- (a) *Notice of Board Meetings.* Any one member of the board of directors or any one of the following officers: president, any vice-president, secretary, or treasurer, may call a meeting of the board of directors. Notice of such meeting need be given only to those directors whom it is practicable to reach, and may be given in any practical manner, including by publication and radio. Such notice shall be given at least six hours prior to commencement of the meeting.
- (b) *Temporary Directors and Quorum.* One or more officers of the corporation present at the emergency board meeting, as is necessary to achieve a quorum, shall be considered to be directors for the meeting, and shall so serve in order of rank, and within the same rank, in order of seniority. In the event that less than a quorum (as determined by Article III, Section 3.6) of the directors are present (including any officers who are to serve as directors for the meeting), those directors present (including the officers serving as directors) shall constitute a quorum.

(c) *Actions Permitted To be Taken.* The board as constituted in paragraph (b), and after notice as set forth in paragraph (a) may:

- (1) Officers' Powers. Prescribe emergency powers to any officer of the corporation;
- (2) Delegation of Any Power. Delegate to any officer or director, any of the powers of directors;
- (3) Lines of Succession. Designate lines of succession of officers and agents, in the event that any of them are unable to discharge their duties;
- (4) Relocate Principal Place of Business. Relocate the principal place of business, or designate successive or simultaneous principal places of business;
- (5) All Other Action. Take any other action, convenient, helpful, or necessary to carry on the business of the corporation.

#### **ARTICLE X. AMENDMENTS**

##### **Section 10.1 Amendments.**

The corporation's board of directors may amend or repeal the corporation's bylaws unless:

- (1) the articles of incorporation of the North Dakota Business Corporation Act reserve this power exclusively to the shareholders in whole or part; or
- (2) the shareholders in adopting, amending, or repealing a particular bylaw or by general resolution provide expressly that the board of directors may not amend or repeal that bylaw; or
- (3) the bylaw adopts or amends the quorum or voting requirement for the shareholders.

In the case described in subsections one, two and three hereof, the shareholders must approve of the amendment or repeal. The adoption or amendment described in subsection three hereof must meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirement

then in effect or proposed to be adopted, whichever is greater.

The corporation's shareholders may amend or repeal the corporation's bylaws even though the bylaws may also be amended or repealed by its board of directors.

# Affidavit of Publication

RECEIVED

OCT - 7 2002

NORTH DAKOTA  
PUBLIC SERVICE  
COMMISSION  
EXECUTIVE SECRETARY

State of North Dakota )  
                                  )  
County of Burleigh    )

Laurie Thiel

, being duly sworn, state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.
2. The newspapers listed on the exhibits published the advertisement of:  
Missouri Valley, 1 time(s)  
as required by law or ordinance.
3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

Signed: [Signature]

Subscribed and sworn to before me this 3<sup>rd</sup> day of October A.D. 2002

[Signature]

**6**    **PU-2779-02-451**                      Pages: 1  
Affidavit of Publication  
by North Dakota Advertising Service, Inc.  
10/07/2002                      CC: Comm Legal Ilona Jerry .

**6**    **PU-427-02-453**                      Pages: 1  
Affidavit of Publication  
by North Dakota Advertising Service, Inc.  
10/07/2002                      CC: Comm Legal Ilona Jerry .

✓ **9**    **PU-2779-02-452**                      Pages: 1  
Affidavit of Publication  
by North Dakota Advertising Service, Inc.  
10/07/2002                      CC: Comm Legal Ilona Jerry .

**9**    **PU-427-02-454**                      Pages: 1  
Affidavit of Publication  
by North Dakota Advertising Service, Inc.  
10/07/2002                      CC: Comm Legal Ilona Jerry .



# North Dakota Newspaper Association

1435 Interstate Loop  
Bismarck, ND 58503-0567  
Ph (701) 223-6397 • Fax (701) 223-8185

## INVOICE

Order **02101PP0-16698**

Invoice # **5171**

October 3, 2002

Attn: **JONH. MIELKE**  
**PUBLIC SERVICE COMMISSION**  
**STATE CAPITOL**  
**BISMARCK, ND 58505**

Advertiser: **Public Service Commission**

P.O.#:

Amount Due **\$126.10**

Amount Paid

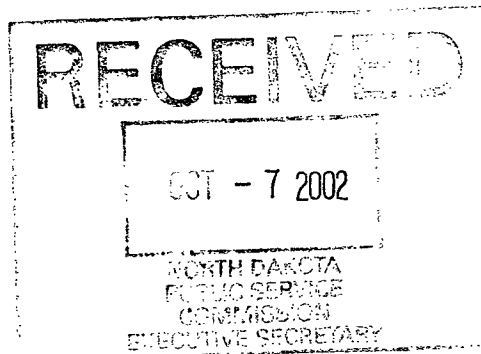
Voice: 328-4076

*Please detach and return this portion with your payment*

Public Service Commission Invoice # 02101PP0-16698-5171

Ad Size	Rate Type	Rate	Total	Discount (%)	Caption	Page	Run Date
<b>Watford City McKenzie County Farmer (Watford City ND)</b>							
96.00	SPR3	0.64	61.44	0.00	Missouri Val...Reserva		10/02/02
<b>Williston Herald (Williston ND)</b>							
1.00	Special	64.66	64.66	0.00	Missouri Val...Reserva		10/02/02

Gross Advertising	126.10	Total Misc	0.00	Amount Paid	0.00
Agency Discount		Tax	0.00	Adjustments	0.00
Other Discount	0.00	Total Billed	126.10	Payment Date	
Service Charge	0.00	Unbilled	0.00	Balance Due	126.10



**6 PU-2779-02-451** Pages: 1  
Affidavit of Publication  
by North Dakota Advertising Service, Inc.  
10/07/2002 CC: Comm Legal Illona Jerry .

**6 PU-427-02-453** Pages: 1  
Affidavit of Publication  
by North Dakota Advertising Service, Inc.  
10/07/2002 CC: Comm Legal Illona Jerry .

**9 PU-2779-02-452** Pages: 1  
Affidavit of Publication  
by North Dakota Advertising Service, Inc.  
10/07/2002 CC: Comm Legal Illona Jerry .

**9 PU-427-02-454** Pages: 1  
Affidavit of Publication  
by North Dakota Advertising Service, Inc.  
10/07/2002 CC: Comm Legal Illona Jerry .

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

Missouri Valley Communications, Inc.  
Designated Eligible Carrier  
Application

Case No. PU-2779-02-451

Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience and Necessity

Case No. PU-2779-02-452

Reservation Telephone Cooperative  
Designated Eligible Carrier  
Application

Case No. PU-427-02-453

Reservation Telephone Cooperative  
Local Exchange  
Public Convenience and Necessity

Case No. PU-427-02-454

**AFFIDAVIT OF SERVICE BY CERTIFIED AND ORDINARY MAIL**

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

**Sharon Helbling** deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **26th day of September, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, **three** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

**Notice of Hearing**

The envelopes were addressed as follows:

Patrick W Durick  
Pearce & Durick  
P O Box 400  
Bismarck ND 58502-0400  
Cert. No. 7099 3220 0002 8483 3032

Richard Thronson  
Missouri Valley Communications Inc  
P O Box 600  
Scobey MT 59263-0600  
Cert. No. 7099 3220 0002 8483 3049

Royce Aslakson  
Reservation Telephone Cooperative  
P O Box 68  
Parshall ND 58770  
Cert. No. 7099 3220 0002 8483 3056

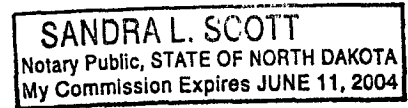
Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **26th day of September, 2002.**

SEAL

*Sharon Hedding*  
\_\_\_\_\_  
*Sandra L. Scott*  
\_\_\_\_\_

Notary Public



STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

Missouri Valley Communications, Inc.  
Designated Eligible Carrier  
Application

Case No. PU-2779-02-451

Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience and Necessity

Case No. PU-2779-02-452

Reservation Telephone Cooperative  
Designated Eligible Carrier  
Application

Case No. PU-427-02-453

Reservation Telephone Cooperative  
Local Exchange  
Public Convenience and Necessity

Case No. PU-427-02-454

AFFIDAVIT OF SERVICE BY ORDINARY AND ELECTRONIC MAIL

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

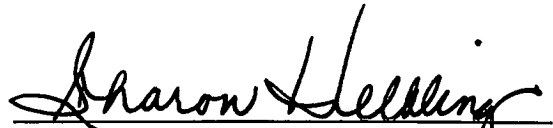

she is over the age of 18 years and not a party to this action and, on the **26th day of September, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, each containing a photocopy of:

**Notice of Hearing**

The envelopes were addressed as follows:

**See Attached List**

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **26th day of September, 2002**.

Notary Public

SEAL



wbrudvik@ohnstadlaw.com  
William Brudvik

donlee@martin-associates.com  
Don Lee

jlchapman@acomminc.com  
Jerry Chapman  
Acomm Inc  
510 1st Ave N Ste 203  
Minneapolis MN 55403-0343

Advanced Telcom Inc  
19 Old Courthouse Sq  
Santa Rosa CA 95404-4920

jbrowne@lga.att.com  
Janet Browne  
AT&T  
1875 Lawrence St 14th Fl  
Denver CO 80202

smassey@bepc.com  
Sheryl Massey  
Basin Electric Power Coop  
1717 E Interstate Ave  
Bismarck ND 58501-0564

jtmgr@bektel.com  
Jerome Tishmack  
BEK Communications Cooperative  
PO Box 230  
Steele ND 58482-0230

jtmgr@bektel.com  
Jerome Tishmack  
BEK Communications I Inc  
PO Box 230  
Steele ND 58482-0230

C12 Inc  
200 Galleria Pkwy Ste 1200  
Atlanta GA 30339

Citizens Telecomm Co of Minnesota  
3 High Ridge Park  
Stamford CT 06905

Citizens Telecomm Co of ND  
3 High Ridge Pk  
Stamford CT 06905

ltade@czn.com  
Lance Tade  
Citizens Telecomm of ND

Daniel L Barth  
Comm South Companies Inc  
6830 Walling Ln  
Dallas TX 75231-7204

Computer Integrated Communications Inc  
8502 Bells Mill Rd  
Potomac MD 20854-4071

mannawiz@pacbell.net  
Larry Manna  
Compuwiz  
1012 Industrial Blvd  
South Lake Tahoe CA 96150

sheba.chacko@btna.com  
Sheba Chacko  
Concert Communications Sales LLC  
11911 Freedom Dr 11th Fl  
Reston VA 20190

Consolidated Telcom  
PO Box 1077  
Dickinson ND 58601-1077

ken@consolidatedtelcom.com  
L Dan Wilhelmson  
Consolidated Telcom  
PO Box 1077  
Dickinson ND 58601-1077

Robert Hill  
Daktel Communications LLC  
P O Box 299  
Carrington ND 58421-0299

Dave Dircks  
DCN LLC  
P O Box 180  
Devils Lake ND 58301-0180

drtc@drtel.net  
Darren Moser  
Dickey Rural Telephone Cooperative  
PO Box 69  
Ellendale ND 58436-0069

bgipson@vartec.net  
Becky Gipson  
eMeritus Communications Inc  
1600 Viceroy Dr  
Dallas TX 75235

Essex Communications Inc  
543 Main St  
New Rochelle NY 10801-7214

bgipson@vartec.net  
Becky Gipson  
Excel Telecommunications Inc  
1600 Viceroy Dr  
Dallas TX 75235

paul@consolidatedtelcom.com  
Paul Schuetzler  
Consolidated Telcom  
PO Box 1077  
Dickinson ND 58601-1077

Contact Communications  
937 W Main St  
Riverton WY 82501

mjrasher@msn.com  
Mary Jane Rasher  
DCI Group

Dickey Rural Services Inc  
P O Box 69  
Ellendale ND 58436

DIECA Communications Inc  
3420 Central Expy  
Santa Clara CA 95051-0703

Regulatory Dept  
Essential.com Inc  
5 Bragdon Ln Ste 200  
Kennebunk Me 04043

Evercom Systems Inc  
8201 Tristar Dr  
Irving TX 75063-2824

Dave Waters  
Fairpoint Communications Solutions  
521 E Morehead St Ste 250  
Charlotte NC 28202-2695

meredith.gifford@gecapital.com  
Meredith Gifford  
GE Business Productivity Solutions Inc  
6540 Powers Ferry Rd  
Atlanta GA 30339

glenn.richards@shawpittman.com  
Glenn Richards  
Glenn Richards  
ShawPittman  
2300 N St NW

Global Tel\*Link Corporation  
2609 Cameron St  
Mobile AL 36607

Global Telelink Services Inc  
1455 Old Alabama Rd Ste 100  
Roswell GA 30076-2134

cooperstown@mlgc.com  
Ray Brown  
Griggs County Telephone Company  
Cooperstown ND 58425

rlaqua@rrv.net  
Ronald Laqua  
Halstad Telephone Company  
PO Box 55  
Halstad MN 56548-0055

hold@texas.net  
Dana Wilson  
Home Owners Long Distance Inc  
8647 Wurzbach Rd #M-1  
San Antonio TX 78240-1245

HTC Services Inc  
P O Box 55  
Halstad MN 56548

Julia Waysdorf  
ICG Telecom Group Inc  
161 Inverness Dr W  
Englewood CO 80112

carl.billek@corp.idt.net  
Carl Billek  
IDT America, Corp.  
520 Broad St 7th Fl  
Newark NJ 07102

jamie@ignus.com  
Jamie Kubik  
Ignus Inc  
P O Box 9202  
Fargo ND 58106-9202

karen.johnson@integratelecom.com  
Karen Johnson  
Integra Telecom of North Dakota Inc  
19545 Von Neumann Dr Ste 200  
Beaverton OR 97006-6902

kander@ictc.com  
Keith Anderson  
Inter-Community Telephone Co  
PO Box 8  
Nome ND 58062-0008

kander@ictc.com  
Keith Anderson  
Inter-Community Telephone Co. II  
PO Box 8  
Nome ND 58062-0008

Intrado Communications Inc  
6285 Lookout Rd  
Boulder CO 80301

Neil Schmid  
Ionex Communications North Inc  
15305 Dallas Pkwy Ste 1500  
Addison TX 75001-6768

IPVoice Communications Inc  
14860 Montfort Dr Ste 210  
Dallas TX 75254-6772

anewell@jato.net  
Andrew R Newell  
JATO Operating Two Corp  
600 17th St Ste 18005  
Denver CO 80202-5441

Local Telcom Holdings LLC  
485 Madison Ave 15th Fl  
New York NY 10022-5803

Steven Katka  
Loretel Systems Inc  
13 E 4th Ave  
Ada MN 56510

Michel Murray  
MCI WorldCom Inc  
707 17th St Ste 3600  
Denver CO 80202

wheaston@mcleodusa.com  
William Heaston  
McLeodUSA  
P O Box 3177  
Cedar Rapids IA 52406-3547

knations@mmfn.com  
Karen Nations  
Metromedia Fiber Network Services Inc  
360 Hamilton Ave  
White Plains NY 10601

sbunn@mlgc.com  
Shelie Bunn  
Moore & Liberty Telephone Co  
Enderlin ND 58027

James Valley Coop Telephone Co  
P O Box 69  
Ellendale ND 58436-0069

KMC Telecom V Inc  
1545 Rt 206  
Bedminster NJ 07921

barbara.loscalzo@lmco.com  
Barbara Loscalzo  
Lockheed Martin Global Telecomm  
2339 Route 70 West  
Cherry Hill NJ 08002

susan.a.travis@wcom.com  
Susan Travis  
MCI Worldcom  
201 Spear St 9th Fl  
San Francisco CA 94105

McKenzie Consolidated Telecom LLC  
P O Box 1140  
Watford City ND 58854-1140

Amy Ibis  
McLeodUSA  
5100 S McLeod Ln  
Sioux Falls SD 57108-2207

gerrya@midrivers.com  
Gerry Anderson  
Mid-Rivers Telephone Coop Inc  
PO Box 280  
Circle MT 59215-0280

hfuglest@ndarec.com  
Harlan Fugelsten  
ND Assn Rural Electric Coops  
PO Box 727  
Mandan ND 58554-0727

dhill@ndarec.com  
Dennis Hill  
ND Assn Rural Electric Coops  
PO Box 727  
Mandan ND 58554-0727

jsilveira@netlojix.com  
Janet Medeiros-Silveira  
NetLogix Telecom Inc  
501 Bath St  
Santa Barbara CA 93101

New Edge Network Inc  
3000 Columbia House Blvd Ste 106  
Vancouver WA 98661

rer@norlight.com  
Robert E Rogers  
NorLight Inc  
275 N Corporate Dr  
Brookfield WI 53045

Dave Dircks  
North Dakota Long Distance Inc  
P O Box 180  
Devils Lake ND 58301-0180

klund@nccray.com  
Kenneth Lund  
Northwest Communications Corp  
PO Box 38  
Ray ND 58849-0038

ddunning@polarcomm.com  
David Dunning  
Polar Telcom Inc  
PO Box 270  
Park River ND 58270-0270

Jeff Walker  
Preferred Carrier Services Inc  
14681 Midway Rd Ste 105  
Dallas TX 75001

pschaner@ndarec.com  
Patti Schaner  
ND Assn Rural Electric Coops  
PO Box 727  
Mandan ND 58554-0727

info@newaccess.cc  
Steven C Clay  
New Access Communications LLC  
801 Nicollet Ave Ste 350  
Minneapolis MN 55402

lclemens@nft.net  
Larry Clemens  
Noonan Farmers Tele Co  
Noonan ND 58765

laurie.willman@metro1.com  
Laurie Willman  
North By NortheastCom LLC

pat@ndta.net  
Patricia Gisinger  
North Dakota Telephone Assoc  
PO Box 2614  
Bismarck ND 58502-2614

ddunning@polarcomm.com  
David Dunning  
Polar Commun Mut Aid Corp  
PO Box 270  
Park River ND 58270-0270

ddunning@polarcomm.com  
David Dunning  
Polar Telecommunications Inc  
PO Box T  
Park River ND 58270

Premiere Network Services Inc  
1510 N Hampton Rd Ste 120  
DeSoto TX 75115

donn@srt.com  
Don Neqaard  
Pringle and Herigstad P C  
PO Box 1000  
Minot ND 58702-1000

sschwan@qwest.com  
Suzy Schwandt  
Qwest Corporation

mkambei@qwest.com  
Mel Kambeitz  
Qwest Corporation  
220 N 5th St  
Bismarck ND 58501

maneill@qwest.com  
Mary Ann Neill  
Qwest Corporation  
1801 California St Rm 4700  
Denver CO 80202

areyes@telfile.com  
Ayanery Reyes  
QX Telecom LLC  
230 5th Ave Ste 800  
New York NY 10001

ardondoran@rrt.net  
Ardon Doran  
Red River Rural Tele Assoc  
PO Box 136  
Abercrombie ND 58001-0136

royce@restel.net  
Royce Aslakson  
Reservation Telephone Cooperative  
Parshall ND 58770

shaneh@restel.net  
Shane Hart  
Reservation Telephone Cooperative  
Parshall ND 58770

Scott Lee  
Protel Advantage Inc  
3145 Hafner Ct  
Shoreview MN 55126-3802

kblicke@qwest.com  
Kent Blickensderfer  
Qwest Corporation  
PO Box 5508  
Bismarck ND 58502-5508

smacint@qwest.com  
Scott Macintosh  
Qwest Corporation  
PO Box 5508  
Bismarck ND 58502-5508

saberry@qwest.com  
Sharon Berry  
Qwest Corporation  
409 1st Ave N  
Fargo ND 58102-4802

pam@tnics.com  
Pamela Harrington  
RC Communications Inc  
PO Box 197  
New Effington SD 57255-0197

ardondoran@rrt.net  
Ardon Doran  
Red River Telecom Inc  
PO Box 136  
Abercrombie ND 58001-0136

mbrestel@ndak.net  
Marcia Burckhard  
Reservation Telephone Cooperative  
Parshall ND 58770

pam@tnics.com  
Pamela Harrington  
Roberts Cty Tele Coop Assoc  
New Effington SD 57255

ServiSense.com Inc  
115 Shawmut Rd  
Canton MA 02021-1438

suelh@srttel.com  
Sue Hamilton  
SRT Communications Inc  
P O Box 789  
Minot ND 58702-0789

christm@srttel.com  
Chris Morsefield  
SRT Communications Inc  
P O Box 789  
Minot ND 58702-0789

johnar@srttel.com  
John Reiser  
SRT Communications Inc  
P O Box 789  
Minot ND 58702-0789

mdickers@state.nd.us  
Marcy Dickerson  
State Tax Department  
State Capitol  
Bismarck ND 58505

Telera Communications Inc  
910 E Hamilton Ave Ste 200  
Campbell CA 95008

jennifer.arnold@uslink.com  
Jennifer Arnold  
U S Link Inc  
P O Box 317  
Pequot Lakes MN 56472-0327

kjvannin@usgs.gov  
K Vannin  
U S Geological Survey

bobhill@skylandnd.net  
Bob Hill  
Skyland Technologies Inc  
P O Box 939  
Williston ND 58802-0939

stevedl@srttel.com  
Steve Lysne  
SRT Communications Inc  
P O Box 789  
Minot ND 58702-0789

janehp@srttel.com  
Jane Petersen  
SRT Communications Inc  
P O Box 789  
Minot ND 58702-0789

kimrw@srttel.com  
Kim Weydahl  
SRT Communications Inc  
P O Box 789  
Minot ND 58702-0789

stthomas@talk.com  
Sharon Thomas  
Talk America Inc  
12001 Science Dr Ste 130  
Orlando FL 32826

Touch America Inc  
40 E Bdwy  
Butte MT 59701

lahall@usgs.gov  
Lenora Hall  
U S Geological Survey

United Communications HUB Inc  
225 S Lake Ave Ste 705  
Pasadena CA 91106

kander@ictc.com  
Keith Anderson  
Valley Communications Inc  
P O Box 8  
Nome ND 58062

anthony.gillman@verizon.com  
Anthony Gillman  
Verizon Select Services Inc  
P O Box 110  
Tampa FL 33601-0110

mickg@westriv.com  
Mick Grosz  
West River Telecommunications Coop  
PO Box 467  
Hazen ND 58545-0467

VarTec Telecom Inc  
1600 Viceroy Dr  
Dallas TX 75235

bonniek@westriv.com  
Bonnie Krause  
West River Telecomm Coop  
PO Box 467  
Hazen ND 58545-0467

paulihland@wtc-mail.net  
Paul Ihland  
Wolverton Telephone Company  
Wolverton MN 56594

Jennifer Sikes  
1-800 Reconex  
2500 Industrial Ave  
Hubbard OR 97032

ACN Communications Services Inc  
32991 Hamilton Ct  
Farmington Hills MI 48334

Leeann Brunnette  
AT&T  
P O Box 71142  
Clive IA 50325-0142

John Broten  
Bell Atlantic Communications Inc  
1320 N Court House Rd 9th Fl  
Arlington VA 22201

Scott Geston  
Cable One of Fargo  
P O Box 10624  
Fargo ND 58106-0624

Robert Fallan  
Coast International  
14303 W 95th St  
Lenexa KS 66215-5210

Molli Harper  
Commnet Cellular Inc  
8350 E Crescent Pkwy Ste 400  
Englewood CO 80111

D D D Calling Inc  
6300 Richmond Ave Ste 304  
Houston TX 77057

Keith Larson  
Dakota Central Telecom I  
PO Box 299  
Carrington ND 58421-0299

DSLnet Communications LLC  
545 Long Wharf Dr  
New Haven CT 06511

Ann Faught  
Absaraka Co-op Tele Co  
Absaraka ND 58002

Arch Paging  
11437 Valley View Rd  
Eden Prairie MN 55344

Jack Medaris  
Atlas Communications LTD  
484 Norristown Rd Ste 123  
Blue Bell PA 19422

Jennifer Whitley  
Business Discount Plan Inc  
1 World Trade Ctr Ste 800  
Long Beach CA 90831-0800

Choctaw Communications Inc  
1600 Viceroy  
Dallas TX 75235

Comcast Business Communications Inc  
650 Centerton Rd  
Moorestown NJ 08057

Murray Barr  
Competitive Strategies Group Inc  
164 N Euclid Ave  
Oak Park IL 60302-2106

Keith Larson  
Dakota Central Tele Coop  
PO Box 299  
Carrington ND 58421-0299

Dickey Rural Communications Inc  
PO Box 69  
Ellendale ND 58436-0069

Easton Telecom Services Inc  
3046 Brecksville Rd #A  
Richfield OH 44286-9399

Lawrence Freedman  
Fleischman & Walsh  
1400 16th ST NW  
Washington DC 20036

Lucille Nilson  
Griggs County Telephone Company  
Cooperstown ND 58425

HJN Telecom Inc  
3235 Satellite Blvd Bldg 400 Ste 300  
Duluth GA 30096

Ken Hanks  
International Telcom Ltd  
417 2nd Ave W  
Seattle WA 98119

Sue Weiske  
Ionex Communications North Inc  
15305 Dallas Pkwy Ste 1500  
Addison TX 75001-6768

Larry Barnes  
IXC/SSC-Regulatory Affairs  
1122 S Capital of TX Hwy  
Austin TX 78746-6426

Myer Shark  
Knollwood Place Apts #221  
3630 Phillips Pkwy  
St Louis Park MN 55426

LCI International Telecom Corp  
4650 Lakehurst Ct  
Dublin OH 43017

Jan Lowe  
Long Dist Consolidated Billing Co  
145 S Livernois Rd #199  
Rochester MI 48307-1837

Marilyn Foss  
MCI WorldCom Inc  
707 17th St Ste 3600  
Denver CO 80202

Ronald Rodemerk  
Frontier Comm International  
180 S Clinton Ave  
Rochester NY 14646-0500

Group Long Distance Inc  
9500 Toledo Way  
Irvine CA 92618-1806

IdeaOne Telecom Group LLC  
3239 39th St SW  
Fargo ND 58104

David A. Huberman  
Intrado Communications Inc  
6285 Lookout Rd  
Boulder CO 80301

Nanette Edwards  
ITC DELTACOM INC  
4092 Memorial Pkwy SW  
Huntsville AL 35802-1382

Katherine E Ford  
U S WEST  
1801 California St Ste 5100  
Denver CO 80202  
Thomas K Crowe  
Law Offices of Thomas K Crowe PC  
2300 M St NW Ste 800  
Washington DC 20037

Level 3 Communications LLC  
3555 Farnam St  
Omaha NE 68131

Jim Marchant  
Maxcess Inc  
P O Box 951419  
Lake Mary FL 32795-1419

MCImetro Access Transmission Services  
707 17th ST Ste 3600  
Denver CO 80202

Midcontinent Communications  
410 South Phillips Ave  
Sioux Falls SD 57104

Gordon Wilhelmi  
Midstate Communications Inc  
PO Box 400  
Stanley ND 58784-0400

Minnesota Independent Equal Access  
Corp  
10300 6th Avenue N  
Plymouth MN 55441

MVX Communications LLC  
100 Rowland Way Ste 145  
Novato CA 94945

Richard Thronson  
Nemont Telephone Cooperative Inc  
Scobey MT 59263

Dave Dircks  
North Dakota Telephone Company  
PO Box 180  
Devils Lake ND 58301-0180

Primus Telecommunications Inc  
1700 Old Meadow Rd 3rd Fl  
McLean VA 22102

Quintelco Inc  
1 Blue Hill Plaza  
Pearl River NY 10965

Charles Steese  
Qwest Corporation  
1801 California St Ste 5100  
Denver CO 80202

Sandra Adams  
NewPath Holdings Inc  
4364 114th St  
Des Moines IA 50322

Mid-Rivers Telephone Coop Inc  
P O Box 280  
Circle MT 59215

Mark Wilhelmi  
Midstate Telephone Co  
PO Box 400  
Stanley ND 58784-0400

Mike Strand  
MITS  
PO Box 5237  
Helena MT 59604-5237

Dave Crothers  
NDATC  
Box 1144  
Mandan ND 58554-1144

Nextel West Corp  
2001 Edmund Halley Dr  
Reston VA 20191-3436

Holly Sasscer  
Operator Communications Inc  
3530 Forest Ln Ste 200  
Dallas TX 75234-7910

QuantumShift Communications Inc  
101 Rowland Way Ste 300  
Novato CA 94945

Heather Troxell  
Qwest Communications Corporation  
4250 Fairfax Dr  
Arlington VA 22203

Dean Polkow  
RCC Network Inc  
PO Box 2000  
Alexandria MN 56308-2000

Lisa Dabkowski  
SNET America Inc  
310 Orange St  
North Haven CT 06510-1719

Andrew Jones  
Sprint  
8140 Ward Pkwy Flr 5E  
Kansas City MO 64114

Randy Burckhard  
SRT Communications Inc  
P O Box 789  
Minot ND 58702-0789

Jack Medaris  
Telco Partners Inc  
484 Norristown Rd Ste 123  
Blue Bell PA 19422

Tele-Tech Inc  
2900 W 11th St  
Sioux Falls SD 57104-3660

Kenneth Carlson  
Turtle Mountain Communications  
PO Box 729  
Langdon ND 58249-0729

Sam Billingsley  
United States Advanced Network Inc  
3080 Northwoods Cir  
Norcross GA 30071-1562

Christina Tygielski  
Universal Access Inc  
Sears Tower 233 S Wacker Dr Ste 600  
Chicago IL 60606-6307

Val-Ed Joint Venture LLP  
150 2nd St SW  
Perham MN 56573

Brad Van Leur  
VP Telecom Inc  
1701 N Louise ave  
Sioux Falls SD 57107

Darrell Henderson  
West River Cooperative Telephone  
Company  
PO Box 39  
Bison SD 57620-0039

SRT Communications Inc  
P O Box 789  
Minot ND 58702-0789

Harris Saele  
T P C Inc  
PO Box 180  
Devils Lake ND 58301-0180

Al Bosch  
Tele-Beep Company  
PO Box 7072  
Bismarck ND 58502-7072

T-Netix Inc  
P O Box 701028  
Dallas TX 75370-1028

Giuseppe Vitale  
UKI Communications Inc  
500 N Rainbow Blvd Ste 300  
Las Vegas NV 89107

Kenneth Carlson  
United Telephone Mut Aid Corp  
Langdon ND 58249

Dennis Houston  
Universal Network Services of ND  
1572 North Batavia St Ste 1A  
Orange CA 92867

Randy Houdek  
Venture Communications Inc  
PO Box 157  
Highmore SD 57345-0157

West River Coop Telephone Co  
P O Box 39  
Bison SD 57620-0039

Doris Cooper  
West River Long Distance Co  
PO Box 467  
Hazen ND 58545-0467

Mick Grosz  
West River Telecomm Coop  
PO Box 467  
Hazen ND 58545-0467

Western CLEC Corporation  
3650 131st Ave SE #400  
Bellevue WA 98006

Carolyn Fodor  
Winstar  
100 Galleria Bldg #212  
Southfield MI 48034

Z-Tel Communications Inc  
601 S Harbour Island Blvd Ste 220  
Tampa FL 33602-5925

**Helbling, Sharon D.**

---

**From:** Helbling, Sharon D.  
**Sent:** Thursday, September 26, 2002 8:33 AM  
**To:** ndna (E-mail)  
**Subject:** Attached Notice of Hearings

**Colleen Park  
North Dakota Newspaper Associatio**

**Colleen:**

**Please have the attached Notice of Hearings published as a legal publication in the next issue of the Williston Herald and the McKenzie County Farmer. Please run this as a "News Item Only" article as well.**

**Send the bill to the Public Service Commission, along with a tear sheet for billing purposes.**

**If you have any questions, please call me at 701-328-4076.**

**Thank you.**

**Sincerely,**

**Sharon Helbling  
Public Utilities Division**



1.doc

**7**

**PU-2779-02-452**

Pages: 1

Notice e-mailed to NDNA requesting  
publication  
by Public Service Commission

09/26/2002

CC: Comm Legal Illona Jerry .

**MOTION**

**September 25, 2002**

**APPROVED**

DATE: 9-25-02  
KMF

**Missouri Valley Communications, Inc.  
Designated Eligible Carrier  
Application**

**Case No. PU-2779-02-451**

**Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-2779-02-452**

**Reservation Telephone Cooperative  
Designated Eligible Carrier  
Application**

**Case No. PU-427-02-453**

**Reservation Telephone Cooperative  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-427-02-454**

I move the Commission issue a Notice of Hearing in the captioned applications for certificates of public convenience and necessity to provide incumbent local exchange telecommunications service and for designation as eligible telecommunications carriers as follows: Missouri Valley Communications, Inc. for the Williston exchange; and Reservation Telephone Cooperative for the Alexander and Watford City exchanges.

JRL/sdh

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Missouri Valley Communications, Inc.  
Designated Eligible Carrier  
Application**

**Case No. PU-2779-02-451**

**Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-2779-02-452**

**Reservation Telephone Cooperative  
Designated Eligible Carrier  
Application**

**Case No. PU-427-02-453**

**Reservation Telephone Cooperative  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-427-02-454**

**NOTICE OF HEARINGS**

**September 25, 2002**

On August 23, 2002, Missouri Valley Communications, Inc. (MVCI), a subsidiary of Nemont Telephone Cooperative, Inc. of Scobey, Montana, filed an application for a certificate of public convenience and necessity to provide facilities-based incumbent local exchange telecommunications services in the Williston exchange, Case No. PU-2779-02-452. MVCI also requests designation as an Eligible Telecommunications Carrier (ETC) for receiving federal universal service support for the Williston exchange, Case No. PU-2779-02-451.

Also on August 23, 2002, Reservation Telephone Cooperative (RTC) of Parshall, North Dakota filed an application for certificates of public convenience and necessity to provide facilities-based incumbent local exchange telecommunications services in the exchanges of Alexander and Watford City, North Dakota, Case No. PU-427-02-454. RTC also requests ETC designation for the Alexander and Watford City exchanges, Case No. PU-427-02-453.

Each applicant reports entering into an agreement for the purchase of assets of Citizens Telecommunications Company of North Dakota (CTC) relating to the provision of telecommunications services in the respective exchanges for which each applicant requests authority. The applicants state that as of the closing date of the transactions CTC intends to cease providing service in these exchanges and each applicant intends to begin providing service in each respective exchange.

**A public hearing** in Case Nos. PU-427-02-453 and PU-427-02-454 will be held beginning **October 22, 2002 at 10 a.m. CDT (9 MDT) at the Watford City Hall**, Heritage Room, 213 2nd Street NE, Watford City, North Dakota.

**A public hearing** in Case Nos. PU-2779-02-451 and PU-2779-02-452 will be held beginning **October 22, 2002 at 2 p.m. CDT (1 MDT) in the Williams County Courthouse**, Memorial Room, 205 East Broadway, Williston, North Dakota.

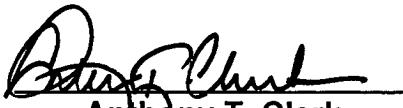
The issues to be considered in these matters are:

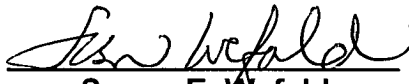
1. Fitness and ability of each applicant to provide service.
2. Adequacy of the proposed service.
3. The technical, financial and managerial ability of each applicant to provide service.
4. Qualification of each applicant under the Telecommunications Act of 1996, Section 214(e) for designation as an ETC eligible to receive federal universal service funding.
5. What ETC universal service support area should be designated for each applicant.

Anyone wishing to be heard regarding these proceedings will be given an opportunity at the hearings. Anyone wishing to become a party to the proceedings must file a petition to intervene with the Commission under N.D. Admin. Code Section 69-02-02-05.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400; or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials please notify Jon Mielke, Executive Secretary at least 24 hours prior.

#### **PUBLIC SERVICE COMMISSION**

  
Anthony T. Clark  
Commissioner

  
Susan E. Wefald  
President

  
Leo M. Reinbold  
Commissioner

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

Missouri Valley Communications, Inc.  
Local Exchange  
Public Convenience and Necessity

Case No. PU-2779-02-452

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **6th day of September, 2002**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

**Staff Memorandum on Financial Ability**

The envelopes were addressed as follows:

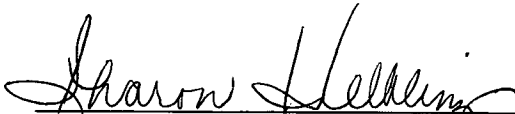
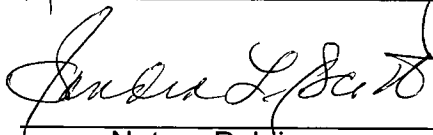
Patrick W Durick  
Pearce & Durick  
P O Box 400  
Bismarck ND 58502-0400  
Cert. No. 7099 3220 0002 8483 3063

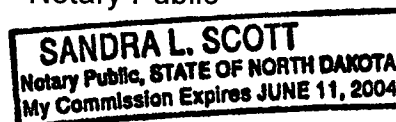
Richard Thronson  
Missouri Valley Communications Inc  
P O Box 600  
Scobey MT 59263-0600  
Cert. No. 7099 3220 0002 8483 3087

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **6th day of September, 2002**.

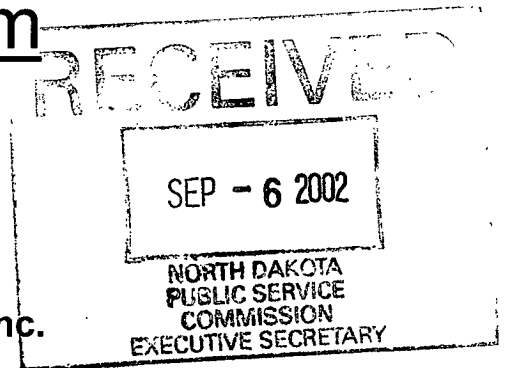
SEAL

  
\_\_\_\_\_  
  
\_\_\_\_\_  
Notary Public



# Memorandum

**To:** Jon Mielke  
**From:** Mike Diller *Mike Diller*  
**Date:** September 5, 2002  
**Re:** **Missouri Valley Communications, Inc.**  
**Local Exchange PC&N Application**  
**Case No. PU-2779-02-452**



The following is written to provide the commission with a very limited review of this case regarding the applicant's financial ability to serve.

Missouri Valley Communications, Inc. (MVCI) is a wholly owned subsidiary of Nemont Telephone Cooperative, Inc. Because the financial wherewithal of MVCI is ultimately backed by Nemont, staff reviewed the consolidated financial statements of Nemont and subsidiaries as provided in the application. Based on its review, staff concludes that the applicant has access to sufficient equity to provide service in North Dakota.

The Telecommunications Act of 1996 established a national policy to create a competitive environment for telephone service. The applicant is one of many companies responding to the act.

Staff sees no reason to deny this application.

In accordance with the Commission's wishes, staff will serve this document on the applicant.

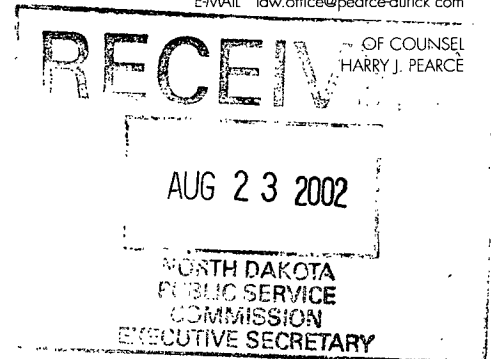


WILLIAM R. PEARCE 1910-1978  
WILLIAM P. PEARCE  
PATRICK W. DURICK  
B. TIMOTHY DURICK  
GARY R. THUNE •  
DAVID E. REICH  
JEROME C. KETTLESON  
LARRY L. BOSCHEE •  
LAWRENCE BENDER, PC •  
JONATHAN P. SANSTEAD

ATTORNEYS AT LAW  
314 EAST THAYER AVENUE  
P.O. BOX 400  
BISMARCK, NORTH DAKOTA 58502

August 23, 2002

TELEPHONE (701) 223-2890  
FAX (701) 223-7865  
E-MAIL law.office@pearce-durick.com



Public Service Commission  
State of North Dakota  
12<sup>th</sup> Floor  
Capitol  
600 East Boulevard Avenue  
Bismarck, ND 58505-0480

Re: Application of Missouri Valley Communications, Inc. for Certificate of Public Convenience and Necessity and Expansion of Missouri Valley Communications, Inc.'s Eligible Telecommunications Carrier Designated Geographical Service Area.

Dear Sir:

Enclosed for filing please find an original and seven copies of an Application of Missouri Valley Communications, Inc. for Certificate of Public Convenience and Necessity and Expansion of Missouri Valley Communications, Inc.'s Eligible Telecommunications Carrier Designated Geographical Service Area and an Affidavit in support thereof. After the documents are filed, please return to me a file stamped copy of the Application and the Affidavit. The signature on the affidavit is by facsimile transmission and I will file the original of the signature when I receive it.

Thank you for your attention to this matter. If you have any questions or comments please advise me.

Sincerely,

PEARCE & DURICK

  
PATRICK W. DURICK

PWD/jf

Enclosures.

cc: Richard J. Thomson  
Kathy Greenwood  
Steve Metts  
Matt Knierim  
Kevin Saville  
Royce S. Aslakson  
Shane Hart

2

PU-2779-02-452

Pages: 1

Cover letter re application

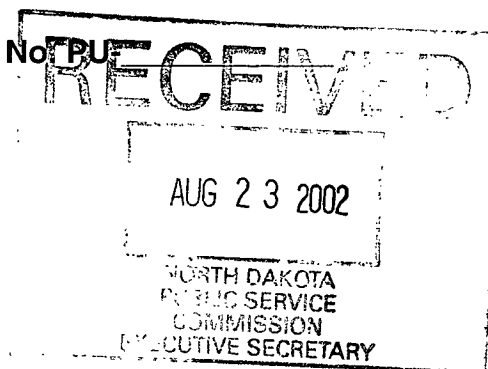
by Missouri Valley Communications, Inc. by Patrick W  
08/23/2002

CC: Comm Legal Ilona Jerry

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Application of Missouri Valley Communications, Inc. for Certificates of Public Convenience and Necessity and Expansion of Missouri Valley Communications, Inc.'s Eligible Telecommunications Carrier Designated Geographical Service Area**

Case No. PU-2779-02-452



**APPLICATION**

I.

Missouri Valley Communications, Inc., (hereinafter, "MVCI"), a North Dakota business corporation, has been incorporated to engage in the business of providing local exchange telecommunications service, exchange access and other telecommunications activities for the Williston exchange (PC&N No. 4601). MVCI is a subsidiary of Nemont Telephone Cooperative, Inc. (hereinafter, "Nemont"). Nemont is a Montana corporation which provides local exchange telecommunications service, exchange access service and other telecommunications activities in Montana and North Dakota.

II.

Citizens Telecommunications Company of North Dakota (hereinafter, "CTC"), a Delaware corporation, under a Certificate of Public Convenience and Necessity issued by the Commission, is engaged in the business of providing local exchange telecommunications service, exchange access, and other telecommunications services in the following exchange: Williston (PC&N No. 4601).

III.

CTC and MVCI have entered into a purchase and sale agreement dated July 26, 2002, for the purchase and sale of CTC's current assets and facilities relating to the provision of local exchange telecommunications service, exchange access, and other telecommunications services in the Williston exchange. As of the closing date of said transaction (anticipated for early 2003) (hereinafter, the "Closing Date"), CTC intends to cease doing business as a provider of local exchange telecommunications service and exchange access in the Williston exchange. In addition, as of the Closing Date, MVCI intends to engage in the business of providing local exchange telecommunications service, exchange access, and other telecommunications activities in the Williston exchange.

IV.

CTC wishes to relinquish its Certificate of Public Convenience and Necessity No. 4601 for the Williston exchange issued by the Commission on October 31, 2000, effective as of the Closing Date.

V.

Effective as of the Closing Date, CTC wishes to contract its designated geographical service area to no longer include the Williston exchange, and MVCI wishes to be designated by the Commission as an eligible telecommunications carrier to receive universal service support under §§ 214 and 254 of the Federal Communications Act of 1934, as amended by the Federal Telecommunications Act of 1996 (hereinafter, the "1996 Act"), with a designated geographical service area to include the Williston exchange, for purposes of determining universal service obligations and support mechanisms under the 1996 Act.

VI.

All subscribers served by CTC in the Williston exchange prior to the Closing Date will be served by MVCI beginning on the Closing Date. MVCI intends to charge the same rates for basic local service in the Williston exchange as CTC is currently charging its subscribers in said exchange.

VII.

There is a clear need for continuing quality telecommunications services in the Williston exchange. The relinquishment of CTC's Certificates of Public Convenience and Necessity will have no effect on other public utilities providing similar services. MVCI has the technical, financial, and managerial fitness and ability to provide adequate essential and nonessential telecommunications services in the Williston exchange. The technical fitness and ability of MVCI to provide services in the Williston exchange will be facilitated by MVCI's purchase of the assets that CTC is currently using to provide such services in the Williston exchange. The provision of adequate essential and nonessential telecommunications services in the Williston exchange will be facilitated and supported by the full current technical and financial capabilities of MVCI, and by the full current technical and financial capabilities of MVCI's parent, Nemont. MVCI will be managed by the same core group of people that are currently managing Nemont. Nemont has been providing telecommunication services since 1950 and currently serves over 6,700 access lines, of which 255 are in North Dakota. Nemont has two wholly-owned subsidiaries, Project Telephone Company which serves over 6,200 access lines in Montana and Wyoming, and Valley Telecommunications, Inc. which serves over 7,800 access lines in northeastern Montana. Nemont and its subsidiaries have provided telephone service in North Dakota, Montana and Wyoming

for over 50 years and have demonstrated that they have the technical, financial, and managerial fitness and ability to provide adequate essential and nonessential telecommunications services in the Williston exchange.

VIII.

Beginning on the Closing Date, MVCI will offer all services that are supported by federal universal service support mechanisms under § 254(c) of the 1996 Act and 47 C.F.R. §§ 54.101 and 54.401, using a combination of its own facilities and resale of other carriers' services, and will advertise the availability of such services and the charges therefore using media of general distribution, throughout Williston.

IX.

The Commission has: (1) authority under N.D.C.C. § 49-21-01.7(7) to act upon applications dealing with certificates of public convenience and necessity; and (2) authority under N.D.C.C. § 49-21-01.7(13) to designate geographic service areas for designated eligible telecommunications carriers for the purpose of determining universal service obligations and support mechanisms under the 1996 Act.

X.

WHEREFORE, CTC hereby applies to: (1) contract its designated geographical service area to no longer include the Williston exchange, pursuant to N.D.C.C. § 49-21-01.7(13), effective as of the Closing Date; and (2) relinquish its Certificate of Public Convenience and Necessity No. 4601, effective as of the Closing Date, pursuant to N.D.A.C. § 69-09-05-11(6).

XI.

WHEREFORE, MVCI hereby applies to the Commission, pursuant to N.D.C.C. Ch. 49-03.1 and N.D.A.C. § 69-09-05-11, for Certificates of Public Convenience and Necessity for the Williston exchange, effective as of the Closing Date.

XII.

WHEREFORE, MVCI hereby applies to the Commission for designation as an eligible telecommunications carrier to receive universal service support under § 214 and § 254 of the 1996 Act, and under N.D.C.C. § 49-21-01.7(12).

XIII.

WHEREFORE, MVCI hereby applies to the Commission for designation of its geographic service area for the purpose of determining universal service obligations

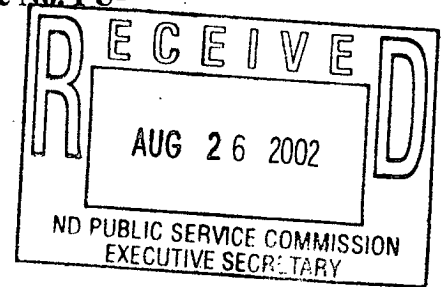




**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Application of Missouri Valley Communications, Inc.  
for Certificate of Public Convenience and Necessity  
and Expansion of Missouri Valley Communications Inc.'s  
Eligible Telecommunications Carrier Designated  
Geographical Service Area**

Case No. PU-



**AFFIDAVIT**

STATE OF MONTANA            )  
  ) ss.  
COUNTY OF DANIELS        )

Richard J. Thronson, the General Manager of Missouri Valley Communications, Inc., of Nemont Telephone Cooperative, Inc., and of Valley Telecommunications, Inc., being first duly sworn, affirms the following statement of facts, in support of the application of Missouri Valley Communications, Inc. for certificates of public convenience and necessity, designation of Missouri Valley Communications, Inc. as an eligible telecommunications carrier, and designation of Missouri Valley Communications, Inc.'s eligible telecommunications carrier geographical service area.

I.

Missouri Valley Communications, Inc. (hereinafter, "MVCI"), a North Dakota business corporation, has been formed to engage in the business of providing local exchange telecommunications service, exchange access and other telecommunications activities. MVCI is a subsidiary of Nemont Telephone Cooperative, Inc. and Valley Telecommunications, Inc. Valley Telecommunications Inc. is a wholly-owned subsidiary of Nemont Telephone Cooperative, Inc.

II.

Citizens Telecommunications Company of North Dakota (hereinafter "CTC") and MVCI have entered into a purchase and sale agreement dated July 26, 2002, for the purchase and sale of CTC's current assets and facilities relating to the provision of local exchange telecommunications service, exchange access, and other telecommunications services in the Williston exchange. As of the closing date of said transaction (anticipated for early 2003) (hereinafter, the "Closing Date"), CTC intends to cease doing business as a provider of local exchange telecommunications service and exchange access in the Williston exchange. In addition, as of the Closing Date, MVCI intends to engage in the business of providing local exchange telecommunications service, exchange access, and other telecommunications activities in the Williston exchange.

### III.

Effective as of the Closing Date, CTC wishes to contract its designated geographical service area to no longer include the Williston exchange, and MVCI wishes to be designated by the North Dakota Public Service Commission (hereinafter, the "Commission") as an eligible telecommunications carrier to receive universal service support under §§ 214 and 254 under the federal Communications Act of 1934, as amended by the federal Telecommunications Act of 1996 (hereinafter, the "1996 Act"), with a designated geographical service area that includes the Williston exchange, for purposes of determining universal service obligations and support mechanisms under the 1996 Act.

### IV.

All subscribers served by CTC in the Williston exchange prior to the Closing Date will be served by MVCI beginning on the Closing Date. MVCI intends to charge the same rates for basic local service in the Williston exchange as Citizens is currently charging its subscribers in said exchanges.

### V.

There is a clear need for continuing quality telecommunications services in the Williston exchange. The relinquishment of CTC's Certificates of Public Convenience and Necessity will have no effect on other public utilities providing similar services. MVCI has the technical, financial, and managerial fitness and ability to provide adequate essential and nonessential telecommunications services in the Williston exchange. The technical fitness and ability of MVCI to provide services in the Williston exchange will be enhanced and facilitated by MVCI's purchase of the assets that CTC is currently using to provide such services in the Williston exchange. The provision of adequate essential and nonessential telecommunications service in the Williston exchange will be facilitated and supported by the full current technical and financial capabilities of MVCI, and by the full current technical and financial capabilities of MVCI's parents, Nemont Telephone Cooperative, Inc. and Valley Telecommunications, Inc. MVCI will be managed by the same core group of people that are currently managing Nemont Telephone Cooperative, Inc. and Valley Telecommunications, Inc.

### VI.

Beginning on the Closing Date, MVCI will offer all services that are supported by federal universal service support mechanisms under § 254(c) of the 1996 Act and 47 C.F.R. §§ 54.101 and 54.401, using a combination of its own facilities and resale of other carriers' services, and will advertise the availability of such services and the charges therefore using media of general distribution, throughout all of the following exchanges: Williston

### VII.

As required by N.D.A.C. § 69-09-05-11: attached and hereby incorporated by reference are the following exhibits: Exhibit "A" - Articles of Incorporation of MVCI, as filed with the North

Dakota Secretary of State on June 21, 2002; and Exhibit "B" – Certificate of Incorporation of MVCI, issued by the North Dakota Secretary of State on June 25, 2002.

### VIII.

The applicant has recently been formed and has not yet been capitalized. As evidence of the ability of MCVI to undertake the technical, financial and managerial commitments which would result from the granting of a certificate hereunder the following information is provided:

a. Attached hereto as Exhibit "C" is a copy of a \$20,000,000.00 commitment from Rural Telephone Finance Cooperative ("RTFC"). The commitment fee of \$40,000.00 has been paid as evidenced by the check attached hereto as Exhibit "D" which has been mailed to RTFC. The Commitment is conditioned upon MVCI having capitalization of \$8,200,000.00 in common equity and a management agreement approved by RUS between MVCI and either Valley Telecommunications, Inc. or Nemont Telephone Cooperative, Inc. The commitment of RTFC and the equity investment of Nemont will provide ample financial resources for MVCI to purchase and operate the Williston Exchange.

b. Nemont Telephone Cooperative, Inc. ("Nemont") has the financial resources necessary to fund the necessary equity investment in MVCI and fully intends to make such investment. Attached hereto and marked as Exhibit "E" is a copy of the Nemont Telephone Cooperative, Inc., Consolidated Financial Statements, Years Ended December 31, 2001 and 2000.

c. The management agreement between Nemont and MVCI is in the process of being finalized and such agreement will commit Nemont to providing the necessary managerial and technical resources to operate the facilities covered by the certificate applied for herein. A copy of a draft of the proposed management agreement is marked as Exhibit "F" and attached hereto. As stated in Nemont's application herein, Nemont is a Montana corporation which provides local exchange telecommunications service, exchange access service and other telecommunications activities in Montana and North Dakota.

The affiant is the General Manager of Applicant Missouri Valley Communications, Inc, Inc., of Nemont Telephone Cooperative, Inc, and of Valley Telecommunications, Inc, and affirms the truth of the foregoing statement of facts based on his first-hand knowledge.

Dated this 23 day of August, 2002.

  
RICHARD J. THRONSON

SUBSCRIBED AND SWORN to before me this 23 day of August, 2002.

Mary Harrington, Notary Public  
For the State of Montana  
My commission expires: Aug. 4, 2003

**EXHIBIT "A"**  
**Articles of Incorporation of MVCI**



**NORTH DAKOTA BUSINESS OR FARMING CORPORATION ARTICLES OF INCORPORATION**  
SECRETARY OF STATE  
SFN 16812A (16812 + 7974) (5-00)

FOR OFFICE USE ONLY

ID#	
WO#	
Filed	By

**FILING FEES**

Filing	30.00
Consent of Registered Agent	10.00
Minimum License Fee	50.00
Additional License Fees: (Equal to \$10.00 for every additional \$10,000 in excess of \$50,000)	

**ATTACHMENTS**

- Registered Agent Consent: The Articles of Incorporation must be accompanied by a signed consent of the registered agent.
- Initial report for farming or ranching required of corporations engaged in farming or ranching.

SEE REVERSE SIDE FOR FEES, FILING AND MAILING INSTRUCTIONS

The undersigned natural persons of the age of eighteen years or more, acting as incorporators, adopt the following Articles of Incorporation according to:

- (check one)  North Dakota Business Corporation Act (North Dakota Century Code, Chapter 10-19.1)  
 North Dakota Corporate or Limited Liability Company Farming Act (North Dakota Century Code, Chapter 10-06.1)

Article 1. Name of Corporation  
Missouri Valley Communications, Inc.

Article 2.A. Name of Registered Agent <u>Jonathan P. Sanstead</u>	B. Federal ID/Social Security # of Registered Agent <u>501-78-3687</u>
--	---

C. Complete Address of Registered Agent (Street/RR, PO Box, City, State, Zip+4) May not be only a post office box.  
314 E. Thayer Avenue, Bismarck, ND 58501

Article 3. The corporation shall be effective: (check one)

When filed with the Secretary of State  
 Later on \_\_\_\_\_ (month, day, year)

Article 4. Purposes for which the Corporation is organized are general business purposes, OR:

Article 5.A. Aggregate number of shares the corporation has authority to issue <u>1,000</u>	B. Par value per share authorized by corporation <u>None</u>
--	---

C. If shares are divided into classes, they are classified as follows:

Class	# of Shares	Par Value per share

Article 6. Other provisions elected for inclusion:  
None

Article 7. The name and address of each incorporator:

NAME	COMPLETE MAILING ADDRESS				
	Street/RR	PO Box	City	State	Zip+4
<u>Richard Thronson</u>	<u>P.O. Box 600</u>	<u>Scobey</u>	<u>MT</u>	<u>59263</u>	

"The above named incorporators, have read the foregoing Articles of Incorporation, know the contents, and believe the statements made therein to be true.

<u>Richard J. Thronson</u>	<u>6/21/02</u>		
Original Signature	Date	Original Signature	Date

Original Signature	Date	Original Signature	Date

Name of person to contact about these articles <u>Jonathan P. Sanstead, Pearce &amp; Durick</u>	Daytime telephone # <u>701-223-2890</u>
--	--



**REGISTERED AGENT  
CONSENT TO SERVE**  
SECRETARY OF STATE  
SFN 16812A (7974 + 16812) (5-00)

FOR OFFICE USE ONLY

ID #	
File #	
WO #	
Filed	By

SEE REVERSE SIDE FOR FILING AND MAILING INSTRUCTIONS

**1. FILING FEE: \$10.00**

TYPE OR PRINT LEGIBLY

2. Name of the organization for which the registered agent is to serve (corporation, limited liability company, limited liability partnership, limited partnership, limited liability limited partnership or real estate investment trust)

Missouri Valley Communications, Inc.

3. Name of the registered agent

Jonathan P. Sanstead

4. Registered agent is (Check one)

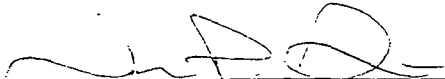
- An individual North Dakota resident
- A corporation
- A limited liability company
- A limited liability partnership

5. Federal ID # or social security # of registered agent

501-78-3687

6. An individual appointed as registered agent must sign a consent to serve in that capacity. When a corporation, a limited liability company, or limited liability partnership is named as registered agent, an officer or someone authorized by the organization may sign on behalf of the corporation, limited liability company, or limited liability partnership.

"The undersigned, as the newly appointed registered agent, agrees to act as the registered agent for this organization until a change, or resignation, is submitted to the Secretary of State under the provisions of North Dakota law."

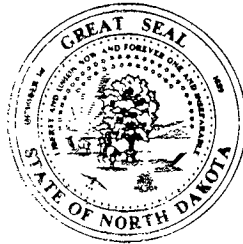
  
Original signature of registered agent

6/21/02  
Date

**EXHIBIT "B"**  
**Certificate of Incorporation of MVCI**

# *State of North Dakota*

## SECRETARY OF STATE



### CERTIFICATE OF GOOD STANDING

OF

MISSOURI VALLEY COMMUNICATIONS, INC.

The undersigned, as Secretary of State of the State of North Dakota, hereby certifies that MISSOURI VALLEY COMMUNICATIONS, INC., a North Dakota BUSINESS CORPORATION, was incorporated in this office on June 25, 2002 and, according to the records of this office as of this date, has paid all fees due this office as required by North Dakota statutes governing a North Dakota BUSINESS CORPORATION.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Good Standing to

MISSOURI VALLEY COMMUNICATIONS, INC.

Issued: August 26, 2002

A handwritten signature in cursive script, reading "Alvin A. Jaeger".

Alvin A. Jaeger  
Secretary of State

# *State of North Dakota*

## SECRETARY OF STATE



### CERTIFICATE OF INCORPORATION

OF

MISSOURI VALLEY COMMUNICATIONS, INC.

The undersigned, as Secretary of State of the State of North Dakota, hereby certifies that Articles of Incorporation for the incorporation of

MISSOURI VALLEY COMMUNICATIONS, INC.

duly signed and verified pursuant to the North Dakota statutes governing a North Dakota BUSINESS CORPORATION, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Incorporation to

MISSOURI VALLEY COMMUNICATIONS, INC.

Effective date of incorporation: June 25, 2002

Issued: June 25, 2002

A handwritten signature in cursive script, reading "Alvin A. Jaeger".

Alvin A. Jaeger  
Secretary of State

**EXHIBIT "C"**

**\$20,000,000.00 commitment from Rural Telephone Finance  
Cooperative ("RTFC")**



RURAL TELEPHONE FINANCE COOPERATIVE  
2201 Cooperative Way · Herndon, Virginia 20171-3025  
703-709-6700

July 12, 2002

Via Facsimile (406/783-5636) and U. S. Mail

Mr. Richard J. Thronson  
General Manager  
Missouri Valley Communications  
Highway 13 South  
Scobey, MT 59263-0600

Dear Mr. Thronson:

Re: Conditional Loan Commitment for Acquisition of Williston Exchange from Citizens Telecommunication Co. of North Dakota ("Citizens")

Rural Telephone Finance Cooperative ("RTFC") hereby provides Missouri Valley Communications ("MVC") a conditional commitment for a long-term loan in the maximum amount of \$20,000,000. The loan may be utilized by MVC to: (i) acquire local exchange carrier assets of the Williston, ND exchange from Citizens, and (ii) purchase a 10% RTFC Subordinated Capital Certificate ("SCC"). Therefore, in consideration of the commitment fee in the amount of \$40,000 tendered herewith, the mutual promises made herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, RTFC conditionally commits the availability of \$20,000,000 for the acquisition of the Williston exchange to MVC under the terms outlined below.

RTFC is a non-profit organization organized to arrange and secure financing for its members and patrons for the planning, initiation and execution of their programs, projects and undertakings.

This letter is furnished as evidence of RTFC's conditional commitment to MVC and shall not be used for any other purpose absent the express written consent of RTFC. The conditional commitment herein contained is reserved for the use of MVC only and is non-transferable.

RTFC offers the following credit arrangements under the terms and conditions set forth below:

- LENDER:** Rural Telephone Finance Cooperative ("RTFC" or "Lender")
- BORROWER:** Missouri Valley Communications ("MVC" or "the Borrower")
- LOAN TYPE / AMOUNT:** A 15-year secured long-term loan in the amount of \$20,000,000 of which (i) \$18,000,000 will finance the acquisition of the Williston exchange from Citizens, and (ii) \$2,000,000 will fund the purchase of SCCs ("the Loan").
- AVAILABILITY OF FUNDS:** Immediate upon satisfaction of requisite terms and conditions of the Loan Agreement including, but not limited to, the conditions outlined below and continuing until the second anniversary of the Loan Agreement date ("Termination Date").
- COLLATERAL:** As collateral for the Loan, RTFC shall receive (i) a perfected first mortgage lien on all current and future assets and revenues of MVC; and (ii) a secured guaranty by Valley Telecommunications, Inc. (hereinafter referred to as "Valley" or "Guarantor") in an amount equal to \$20,000,000 plus interest and fees due thereon, wherein the guarantee will be secured by the assets and revenues of the Guarantor.

Mr. Richard J. Thronson  
Missouri Valley Communications  
July 12, 2002  
Page 2

**AMORTIZATION:** A quarterly repayment schedule using the level debt service or level principal amortization method. Principal amortization will begin in the first full billing cycle following the initial advance of loan funds. Interest will be billed quarterly beginning with the first billing cycle following the initial advance using the interest rate or rates detailed in the following section.

**INTEREST RATE:** RTFC's standard cost-based variable and/or fixed interest rate(s) for long-term loans with 10% SCCs. The variable rate is subject to change monthly. Fixed interest rates are matched-funded and are placed at the Borrower's request for a Borrower-specified period of time. The Borrower will have the option to convert all or a portion of outstanding Loan funds to a fixed interest rate at any time without a fee. The conversion of a loan or portions thereof in the fixed rate mode are subject to certain notice provisions to Lender and make whole premiums to cover any funding loss that may be associated with the conversion.

**EQUITY PURCHASE**

**REQUIREMENT:** Purchase of an equity certificate (SCC) equal to 10% of the total amount borrowed. The SCC is amortized annually to maintain a 10% SCC-to-outstanding loan ratio. Amounts amortized are paid in the cash to the borrower. Amortization begins approximately one-year after full purchase of the SCC. The borrower may elect to purchase the SCC using loan funds (borrowing option) or cash (installment plan option). If the borrowing option is selected, the SCC is included in the loan amount and is purchased with each advance. If the installment plan option is selected, the borrower uses its own funds and purchases the SCC in twenty (20) quarterly installments beginning with the first full billing cycle following the initial advance of loan funds.

**CAPITALIZATION:** The capitalization of the Borrower shall consist of at least \$8,200,000 of common equity capital.

**KEY LOAN**

**COVENANTS:** The credit documentation for the Loan will include, without limitation, the following covenants:

Financial Ratio Requirements: Borrower shall achieve:

1. a minimum annual Times Interest Earned Ratio ("TIER") of 1.00 is required for the first 5 years, with a 1.50 TIER thereafter;
2. a minimum annual Debt Service Coverage Ratio ("DSC") of 1.25 is required; and
3. a maximum Leverage Ratio of 5.0.

TIER, for any given year, is defined as net income plus interest on long-term debt expense plus income taxes payable divided by interest on long-term debt expense. DSC, for any given year, is defined as net income plus depreciation and amortization plus interest on long-term debt expense divided by interest on long-term debt expense and principal on long-term debt payable in such year. Leverage Ratio, for any year, shall be calculated as follows: (a) total indebtedness in accordance with Generally Accepted Accounting Principles (GAAP) less SCCs divided by (b), the sum of pre-tax income or loss, interest expense on long-term debt, depreciation and amortization expense where pre-tax income or loss excludes any extraordinary gains, the write up of any asset and any investment income or losses for the Borrower.

Dividends: Borrower may distribute dividends without Lender's prior written approval provided that (i) after giving effect to such dividend payment, it achieves an equity-to-total assets ratio ("Post Transaction Net Worth") of 40% or greater, or (ii) the dividend payment does not exceed 25% of Borrower's prior fiscal year's Cash Margins and its Post Transaction Net Worth is 25% or greater. Cash Margins shall mean, in any given year, the Borrower's income before non-cash charges and after non-cash credits and principal on long-term debt payable for the year.

Additional Indebtedness: Borrower may incur additional secured or unsecured indebtedness without Lender's prior written approval provided that its Post Transaction Net Worth is 40% or greater, except that Borrower may incur additional unsecured trade debt provided that, in the aggregate, the total does not exceed 5% of Borrower's total assets.

Mr. Richard J. Thronson  
Missouri Valley Communications  
July 12, 2002  
Page 3

**CONDITIONS  
OF CLOSING:**

Including, but not limited to:

- a) Satisfactory completion of RTFC's due diligence investigation, including, but not limited to, the review and/or approval of (i) the sale and asset purchase agreements for the acquisition of the Williston, ND exchange from Citizens; (ii) MVCs Bylaws and Articles of Incorporation; (iii) management agreement between MVC and Valley or Nemont Telephone Cooperative; and (iv) evidence of RUS approval of the management agreement, if applicable.
- b) Final approval by the RTFC Board of Directors;
- c) Borrower providing RTFC, in a form satisfactory to RTFC, (i) an executed Loan Agreement and Promissory Note evidencing specific terms of the Loan together with terms of repayment thereof; (ii) executed collateral documentation deemed necessary by Lender; (iii) opinion(s) of counsel; and (iv) evidence of all necessary regulatory/government approvals of the acquisition; and
- d) No material adverse change or misrepresentation shall have occurred or have been made by or on behalf of Borrower to Lender with respect to the Borrower's business, financial condition or the financing transaction contemplated herein.

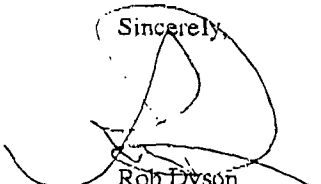
**ASSIGNMENT:** This commitment cannot be assigned.

**GOVERNING LAW:** This commitment and the Loan to be evidenced thereby will be governed by the laws of the Commonwealth of Virginia.

If you agree to the terms as set forth above, please so indicate by signing in the space provided below and returning a copy of this letter with an original signature to RTFC along with the commitment fee of \$40,000. In the event that RTFC does not approve the Loan, the commitment fee will be refunded in full. The full amount of the fee will be refunded in the event that the acquisition transaction does not close for reasons outside of the Borrower's control. The fee will also be refunded if the Loan is approved and funds are fully advanced by the Termination Date. Under all other circumstances, the commitment fee will be retained by RTFC.

If a counter-signed copy of this letter and the commitment fee are not received within 60-days of the date of this letter, this commitment shall terminate and RTFC shall have no further obligations hereunder.

Sincerely,



Rob Dyson  
Associate Vice President  
and Account Manager

**Agreed and Accepted:**

Missouri Valley Communications

By: Ben Bouson  
 Title: President  
 Date: 7-29-02

rad

**EXHIBIT D**  
**Commitment Fee of \$40,000.00**

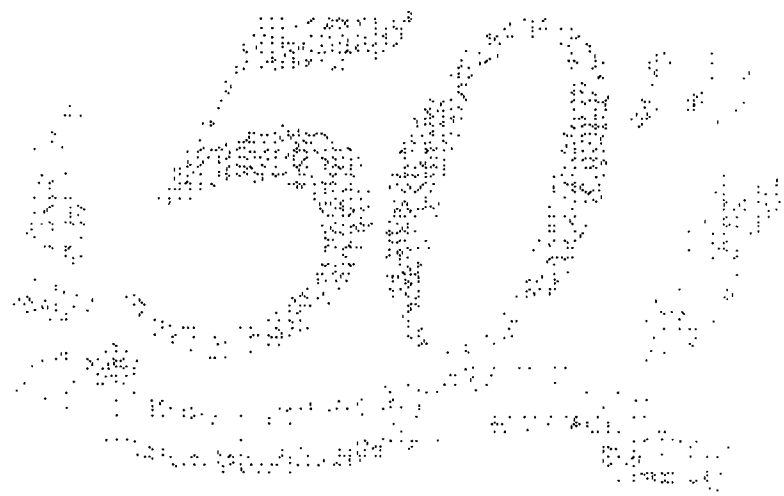


NEMONT TELEPHONE COOPERATIVE, INC.  
HIGHWAY 13 SO. P.O. BOX 600  
SCOBEEY, MONTANA 59263-0600

PLEASE DETACH AND RETAIN

No. 105998

07/29/2002	LOAN COMMITMENT	07	LOAN COMMITMENT FEE	1439.02		40,000.00
	Totals:					40,000.00



NEMONT TELEPHONE COOPERATIVE, INC.  
HIGHWAY 13 SO. P.O. BOX 600  
SCOBEEY, MONTANA 59263-0600

GENERAL FUND

No. 105998

INDEPENDENCE BANK  
SCOBEEY, MONTANA

93-0134  
0929

Forty Thousand and no/100\*\*\*\*\*

702

VOID AFTER 180 DAYS

DATE	CHECK NO.	AMOUNT
07/29/2002	105998	\$*****40,000.00

PAY  
TO THE  
ORDER  
OF

RTFC  
2201 COOPERATIVE WAY  
HERNDON VA 20171

NON-NEGOTIABLE

NON-NEGOTIABLE

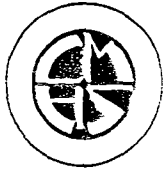
**EXHIBIT "E"**

**Copy of Nemont Telephone Cooperative, Inc., Consolidated  
Financial Statements, Years Ended December 31, 2001 and  
2000.**

NEMONT TELEPHONE COOPERATIVE, INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2001 and 2000



**CHMS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067  
104 Second Avenue S.W.  
Sidney, Montana 59270  
406-482-2092  
1-800-676-2467  
FAX 406-482-2095

February 8, 2002

Board of Directors  
Nemont Telephone Cooperative, Inc.  
Scobey, Montana

We have audited the consolidated financial statements of Nemont Telephone Cooperative, Inc. and its subsidiaries for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 8, 2002. We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In planning and performing our audits of the consolidated financial statements of Nemont Telephone Cooperative, Inc. and its subsidiaries for the years ended December 31, 2001 and 2000, we considered their internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Section 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, compliance with specific RUS loan and security instrument provisions set forth in § 1773.33 (e)(2), and related party transactions and investments. In addition, our audits of the financial statements also included the procedures specified in § 1773.38 - .45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports other than our independent auditor's report, our independent auditor's report on supplementary information, our report on compliance and on the internal control over financial reporting, all dated February 8, 2002, and our management letter dated May 15, 2002 have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by § 1773.33 are presented below.

#### COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Nemont Telephone Cooperative, Inc.'s internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records;
- The process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and
- The materials control.

#### COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement or lease between the borrower and an affiliate for the year ended December 31, 2001 of Nemont Telephone Cooperative, Inc.

1. There were no contracts entered into during the year ended December 31, 2001.
  2. Reviewed Board of Director minutes to ascertain that there were no contracts approved by the Board.
- Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:
    1. Agreed amounts reported in Form 479 to Nemont Telephone Cooperative, Inc.'s records.

The results of our tests indicate that, with respect to the items tested, Nemont Telephone Cooperative, Inc. and its subsidiaries complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has obtained written approval of the RUS to enter into any contract, agreement or lease with an affiliate as defined in § 1773.33 (e)(2)(i); and
- The borrower has submitted its Form 479 to the RUS and the Form 479, - Financial and Statistical Report, as of December 31, 2001 and 2000, represented by the borrower as having been submitted to RUS in agreement with the Nemont Telephone Cooperative, Inc.'s audited records in all material respects.

#### COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audits of the consolidated financial statements of Nemont Telephone Cooperative, Inc., nothing came to our attention that caused us to believe that Nemont Telephone Cooperative, Inc. failed to comply with respect to:

- The reconciliation of subsidiary plant records to the controlling general ledger plant accounts addressed at § 1773.33 (c) (1);
- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at § 1773.33 (c) (2);
- The retirement of plant addressed at § 1773.33 (c) (3) and (4);
- The approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at §1773.33 (c)(5); and
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the years ended December 31, 2001 and 2000, in the financial statements referenced in the first paragraph of this report addressed at § 1773.33 (e).
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic statements taken as a whole. The detailed schedule of investments in affiliated companies required by § 1773.33 (i), and provided below, is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Affiliated companies consist of the following at December 31, 2001 and 2000:

	Valley Telecommunications, Inc.	Project Telephone Company	Nemont Communicaitons, Inc.	MITS	Total
Original Invest Cost	\$ 3,500,000	\$ 219,478	\$ 2,176,185	\$ 295,000	\$ 6,190,663
Investment Advances as of 12/31/00	-	-	-	-	-
Dividends as of 12/31/00	-	-	-	-	-
Undistributed Earnings as of 12/31/00	5,719,932	20,037,036	3,304,682	(11,180)	29,050,470
Book value of Investments as of 12/31/00	9,219,932	20,256,514	5,480,867	283,820	35,241,133
Investment Advances as of 12/31/01	-	-	-	75,000	75,000
Dividends as of 12/31/01	-	-	-	-	-
Undistributed Earnings as of 12/31/01	7,336,859	22,001,271	3,628,035	9,573	32,975,738
Book value of Investments as of 12/31/01	\$ 10,836,859	\$ 22,220,749	\$ 5,804,220	\$ 368,393	\$ 39,230,221

Valley Telecommunications, Inc. is a wholly owned subsidiary providing telecommunications services. This investment is included in the consolidated group of accompanying financial statements.

Project Telephone Company is a wholly owned subsidiary providing telecommunications services. This investment is included in the consolidated group of accompanying financial statements.

Nemont Communications, Inc. is a subsidiary in which the Company owns 20.3% and Project Telephone Company owns 79.7%. This investment owns the main building, the computers, and a fiber network all of which are leased to the Company and sister companies.

MITS is a limited liability corporation owned 50% by the Company. The investment operates fiber hotels and provides other related services.

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*CHMS, PC*

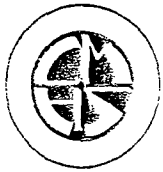
CHMS, P.C.

Certified Public Accountants

Sidney, Montana

**NEMONT TELEPHONE COOPERATIVE, INC. CONSOLIDATED**

<b>TABLE OF CONTENTS</b>	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Balance Sheets	2-3
Consolidated Statements of Revenue	4-5
Consolidated Statements of Members' Equity	6
Consolidated Statements of Cash Flows	7-8
Notes to the Consolidated Financial Statements	9-26
<b>SUPPLEMENTARY INFORMATION</b>	
<b>INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION</b>	27
Schedule I - Consolidating Balance Sheets	28-29
Schedule II - Consolidating Statements of Revenue	30-31
Schedule III - Consolidating Statements of Cash Flows	32-33
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON THE INTERNAL CONTROL OVER FINANCIAL REPORTING</b>	34-35



**CHMS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067  
104 Second Avenue S.W.  
Sidney, Montana 59270  
406-482-2092  
1-800-676-2467  
FAX 406-482-2095

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Nemont Telephone Cooperative, Inc:

We have audited the accompanying consolidated balance sheets of Nemont Telephone Cooperative, Inc. (a cooperative) and its subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of revenue and patronage capital, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Nemont Telephone Cooperative, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nemont Telephone Cooperative, Inc. and its subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2002, on our consideration of Nemont Telephone Cooperative, Inc. and its subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*CHMS PC*

CHMS, P.C.  
Certified Public Accountants  
Sidney, Montana

February 8, 2002

NEMONT TELEPHONE COOPERATIVE, INC.

CONSOLIDATED BALANCE SHEETS - DECEMBER 31, 2001 AND 2000

ASSETS (NOTES A AND B)

	<u>2001</u>	<u>2000</u>
<b>CURRENT ASSETS</b>		
Cash - General Funds - Note C	\$ 16,877,754	\$ 11,035,132
Telecommunications Accounts Receivable - Note A	2,739,709	3,503,326
Other Accounts Receivable	1,015,191	512,518
Related Party Receivables - Note T	78,536	94,350
Interest Receivable	30,149	205,540
Current Portion of Notes Receivable - Note I	61,246	57,603
Short-term Investments - Note D	396,970	7,065,767
Materials and Supplies	2,372,035	2,453,188
Income Tax Receivable - Note R	105,415	0
Prepayments - Note E	<u>385,923</u>	<u>324,765</u>
	<u>24,062,928</u>	<u>25,252,189</u>
 <b>NONCURRENT ASSETS</b>		
Affiliated Investments - Note F	1,499,420	840,411
Marketable Securities - Available for Sale - Note P	452,167	421,040
Nonregulated Investments - Note G	3,684,675	3,517,171
Goodwill - Note H	8,146	9,123
Deferred Income Tax Asset - Note R	445,417	307,549
Related Party Receivables - Note T	831,817	781,817
Notes Receivable - Note I	<u>733,725</u>	<u>814,934</u>
	<u>7,655,367</u>	<u>6,692,045</u>
 <b>PROPERTY, PLANT AND EQUIPMENT - NOTE J</b>		
Telecommunications and General Plant in Service	93,244,777	87,562,618
Telecommunications Plant Under Construction	1,184,051	1,188,425
Telecommunications Plant Adjustment - Note K	<u>13,956,751</u>	<u>13,956,751</u>
	108,385,579	102,707,794
Less: Accumulated Provision for Depreciation and Amortization	<u>52,337,003</u>	<u>47,071,544</u>
	<u>56,048,576</u>	<u>55,636,250</u>
	<u>\$ 87,766,871</u>	<u>\$ 87,580,484</u>

See notes to the consolidated financial statements

NEMONT TELEPHONE COOPERATIVE, INC.

CONSOLIDATED BALANCE SHEETS - DECEMBER 31, 2001 AND 2000

LIABILITIES AND EQUITIES

	<u>2001</u>	<u>2000</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 2,343,207	\$ 2,254,953
Advance Billings and Payments	180,829	163,702
Customer Deposits	222,584	218,059
Current Maturities of Long-Term Debt - Note L	3,333,876	3,141,949
Current Portion of Unamortized Investment Tax Credit - Note M	32,964	32,964
Current Portion of Deferred Income Tax Payable - Note R	0	675,000
Accrued Taxes Payable	536,194	545,621
Accrued Interest Payable	237,006	259,872
Accrued Income Taxes Payable - Note R	13,477	119,015
Other Accrued and Current Liabilities Payable	<u>1,599,602</u>	<u>1,435,838</u>
	<u>8,499,739</u>	<u>8,846,973</u>
<b>LONG-TERM DEBT - NOTE L</b>		
Mortgage Notes	31,638,622	34,988,648
<b>OTHER LIABILITIES - NOTE M</b>	56,994	89,958
<b>DEFERRED INCOME TAX LIABILITY - NOTE R</b>	3,784,538	3,867,495
<b>EQUITIES - NOTE N</b>		
Patronage Capital	8,455,476	8,345,805
Other Equities	35,238,589	31,349,846
Accumulated Unrealized Gain on Marketable Securities - Note P	<u>92,913</u>	<u>91,759</u>
	<u>43,786,978</u>	<u>39,787,410</u>
	<u>\$ 87,766,871</u>	<u>\$ 87,580,484</u>

See notes to the consolidated financial statements

NEMONT TELEPHONE COOPERATIVE, INC.

CONSOLIDATED STATEMENTS OF REVENUE

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>OPERATING REVENUE</b>		
Local Network Service	\$ 5,235,553	\$ 4,950,958
Network Access	18,495,612	17,886,542
Net Sales and Miscellaneous	<u>4,889,429</u>	<u>4,644,531</u>
	<u>28,620,594</u>	<u>27,482,031</u>
<b>OPERATING EXPENSES</b>		
Plant Specific Operations	4,017,078	3,763,968
Plant Nonspecific Operations	3,639,020	3,095,619
Customer Operations	1,948,413	1,844,105
Corporate Operations	3,670,808	3,581,914
Depreciation and Amortization	<u>6,077,030</u>	<u>6,290,445</u>
	<u>19,352,349</u>	<u>18,576,051</u>
<b>OPERATING TAXES</b>		
Federal and State Income Tax - Note R	1,748,102	1,598,260
Deferred Income Tax (Benefit) - Note R	(44,707)	553,493
Investment Tax Credit - Note M	(32,964)	(32,964)
Other Operating Taxes	<u>833,890</u>	<u>1,157,766</u>
	<u>2,504,321</u>	<u>3,276,555</u>
<b>OPERATING INCOME</b>	6,763,924	5,629,425
<b>NON-OPERATING NET INCOME - NOTE O</b>	<u>549,469</u>	<u>1,108,239</u>
<b>INCOME BEFORE FIXED CHARGES</b>	7,313,393	6,737,664
<b>FIXED CHARGES</b>		
Interest on Funded Debt	2,151,377	2,337,237
Other Interest Expense	<u>16,879</u>	<u>24,234</u>
	<u>2,168,256</u>	<u>2,361,471</u>
<b>NET INCOME FROM OPERATIONS</b>	5,145,137	4,376,193
<b>NONREGULATED NET INCOME</b>	<u>15,921</u>	<u>14,351</u>
<b>NET INCOME</b>	\$ 5,161,058	\$ 4,390,544

See notes to the consolidated financial statements

NEMONT TELEPHONE COOPERATIVE, INC.  
CONSOLIDATED STATEMENTS OF REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
NET INCOME (CARRIED FROM PAGE 4 )	\$ 5,161,058	\$ 4,390,544
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized Gain on Available for Sale Securities	1,154	18,576
Deferred Income Tax Expense	<u>(470)</u>	<u>(7,570)</u>
	<u>684</u>	<u>11,006</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$ 5,161,742</u>	<u>\$ 4,401,550</u>

See notes to the consolidated financial statements

NEMONT TELEPHONE COOPERATIVE, INC.  
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>Margins Assignable</u>	<u>Margins Assigned</u>	<u>Permanent Capital</u>	<u>Net Unrealized Gains on Securities Available- For-Sale</u>	<u>Total</u>
Balance, December 31, 1999	\$ 578,809	\$ 8,532,038	\$ 27,426,490	\$ 73,183	\$ 36,610,520
Net Margins for 2000	4,390,544	0	0	0	4,390,544
Patronage Capital retired	0	(1,273,089)	0	0	(1,273,089)
Assigned Margins	(559,787)	559,787	0	0	0
Discounted capital credits	0	0	28,232	0	28,232
Excise tax refunds	12,627	0	0	0	12,627
Assigned excise tax refunds	(19,022)	19,022	0	0	0
Additions to permanent capital	(3,895,124)	0	3,895,124	0	0
Increase prior year holding gains on securities available-for-sale	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,576</u>	<u>18,576</u>
Balance, December 31, 2000	508,047	7,837,758	31,349,846	91,759	39,787,410
Net Margins for 2001	5,161,058	0	0	0	5,161,058
Patronage Capital retired	0	(1,155,712)	0	0	(1,155,712)
Assigned Margins	(495,420)	495,420	0	0	0
Discounted capital credits	0	(57,605)	57,605	0	0
Gain on capital credits	0	0	(20,579)	0	(20,579)
Excise tax refunds	13,647	0	0	0	13,647
Assigned excise tax refunds	(26,274)	26,274	0	0	0
Additions to permanent capital	(3,851,717)	0	3,851,717	0	0
Increase prior year holding gains on securities available-for-sale	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,154</u>	<u>1,154</u>
Balance, December 31, 2001	<u>\$ 1,309,341</u>	<u>\$ 7,146,135</u>	<u>\$ 35,238,589</u>	<u>\$ 92,913</u>	<u>\$ 43,786,978</u>

NEMONT TELEPHONE COOPERATIVE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 5,161,058	\$ 4,390,544
Adjustments To Reconcile Net Income To		
Net Cash Provided By Operating Activities:		
Depreciation and Amortization	6,077,030	6,290,445
Patronage Capital Allocated	(163,200)	(219,449)
Equity in Net Income of Affiliates	169,757	32,306
Amortization of Investment Tax Credit	0	(32,964)
Accrued Interest and Dividend Income	(27,655)	(13,296)
Gain on Retirement of Capital Credits	37,027	28,232
Gain on Sale of Investments	0	(134,425)
Loss on Sale of Property	44,506	1,617
Salvage Materials from Retired Plant	287,262	207,879
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Telecommunications Accounts Receivable	356,226	(209,734)
(Increase) Decrease in Other Accounts Receivable	(95,284)	(430,339)
(Increase) Decrease in Related Party Receivables	(34,186)	(159,928)
(Increase) Decrease in Interest Receivable	174,485	(96,353)
(Increase) Decrease in Materials and Supplies	81,153	(476,013)
(Increase) Decrease in Income Tax Receivable	(105,415)	0
(Increase) Decrease in Prepayments	(61,159)	252,481
(Increase) Decrease in Deferred Tax Assets	(137,868)	0
Increase (Decrease) in Accounts Payable	88,256	605,900
Increase (Decrease) in Advanced Billing	17,127	17,704
Increase (Decrease) in Consumer Deposits	4,525	35,241
Increase (Decrease) in Accrued Taxes	(9,425)	(403,859)
Increase (Decrease) in Accrued Interest Payable	(21,960)	(21,889)
Increase (Decrease) in Income Taxes Payable	(105,538)	71,958
Increase (Decrease) in Other Accrued Liabilities	163,764	104,310
Increase (Decrease) in Deferred Income Taxes Payable	(791,715)	553,493
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>11,108,771</b>	<b>10,393,861</b>

See notes to the consolidated financial statements

NEMONT TELEPHONE COOPERATIVE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 2000

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	\$ (1,347,741)	\$ (1,239,362)
Collections from Investments	7,237,436	2,661,319
Construction and Acquisition of Plant	(6,821,253)	(4,360,423)
Proceeds from Sale of Equipment	17,140	45,924
Proceeds from Sale of Investments	0	192,861
Advances on Notes Receivable	0	(15,100)
Collections on Notes Receivable	77,566	2,963
Capital Contributed to Affiliates	<u>(75,000)</u>	<u>(295,000)</u>
NET CASH USED BY INVESTING ACTIVITIES	(911,852)	(3,006,818)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Debt Reduction - Long-term	(3,154,627)	(3,024,996)
Patronage Capital Retired	(1,213,317)	(1,273,089)
Receipt of Excise Tax Refund	<u>13,647</u>	<u>12,627</u>
NET CASH USED BY FINANCING ACTIVITIES	(4,354,297)	(4,285,458)
NET INCREASE IN CASH	5,842,622	3,101,585
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,035,132</u>	<u>7,933,547</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 16,877,754</u>	<u>\$ 11,035,132</u>

**SUPPLEMENTAL DISCLOSURES - NON-CASH INVESTING AND FINANCING ACTIVITIES**

Increase in Fair Value of Available for Sale Securities (Net of Tax)	\$ <u>684</u>	\$ <u>11,006</u>
Conversion of Accounts Receivable from NorthWinds Publishing to Notes Receivable	\$ <u>0</u>	\$ <u>60,400</u>
Interest Paid	\$ <u>2,191,122</u>	\$ <u>2,383,360</u>
Income Taxes Paid	\$ <u>2,040,368</u>	\$ <u>1,924,100</u>

See notes to the consolidated financial statements

NEMONT TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

The consolidated financial statements include the accounts of Nemont Telephone Cooperative, Inc. (the Cooperative) and its subsidiaries: Nemont Communications, Inc., Project Telephone Company, Valley Telecommunications, Inc., and Sagebrush Cellular, Inc. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Nemont Telephone Cooperative, Inc., Valley Telecommunications, Inc., and Project Telephone Company provide telephone services to rural customers in South Central and Eastern Montana, Western North Dakota, and North Central Wyoming. The operations of Nemont Communications, Inc. consist of leasing buildings, computers, and fiber optic cable services to its parent and sister corporations. Nemont Communications, Inc. also provides internet access and long distance services for the customers of the Cooperative and its subsidiaries. Sagebrush Cellular, Inc. provides cellular telephone service to customers in Northeastern Montana.

Basis of Accounting

Nemont Telephone Cooperative, Inc. and its subsidiaries, Project Telephone Company and Valley Telecommunications, Inc., follow the system prescribed in Part 32 - Uniform System of Accounts for Class A Telephone Companies as promulgated by the Federal Communications Commission, with additional guidance and interpretations from the Rural Utilities Service (RUS), and the Public Service Commission (PSC) of Montana and Wyoming. The prescribed guidelines properly include the full accrual basis of accounting as well as other rules and regulations which are detailed in the individual notes to the financial statements.

The subsidiaries, Nemont Communications, Inc. and Sagebrush Cellular, Inc., are accounted for under generally accepted accounting principles since these companies are not required to follow Part 32.

Accounts Receivable

Accounts receivable are presented at their net amount. The allowance for doubtful accounts at December 31, 2001 and 2000, is \$94,302 and \$182,592, respectively.

Materials and Supplies

Materials and supplies are stated at the lower of cost or market. Cost is determined using the average cost method.

Investments

Marketable securities are classified as "available-for-sale" as defined by SFAS 115. Available-for-sale assets are carried at aggregate fair value in accordance with SFAS 115. Unrealized gains and losses are reported as other comprehensive income. All other investments are carried at cost.

NEMONT TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment

The Cooperative follows the accounting policies with respect to maintenance, repairs, renewals, betterments, and retirements are outlined in the Uniform System of Accounts for Telephone Companies prescribed by the Federal Communications Commission (FCC). Additions, replacements, and renewals of property determined to be units of property are charged to telephone plant accounts. Property retirements are charged in total to the accumulated depreciation reserve accounts. Except for some nonregulated equipment, no gain or loss is recognized at the time properties are retired or otherwise disposed. Depreciation is provided for using straight-line composite rates applied to classes of depreciable property.

Revenue Recognition

Network access and local service revenues are recognized when earned regardless of the period in which they are billed.

Network access revenues are derived in part from tariffed access charges to inter-exchange carriers, in part from sharing in NECA interstate pools, and in part from direct billing of inter-exchange carriers.

The Company is cost based for settlement purposes. Monthly revenues are recorded in accordance with various toll pools and carrier access billings under tariff, however, the actual amount of toll revenue will not be known until settlement studies are conducted. These revenues are not accrued; they are recognized when received.

Income Taxes

The Cooperative operates under Internal Revenue Code Section 501 (c)(12) and elected to become taxable in 1988. Federal and state income taxes have been paid for the years ending December 31, 2001 and 2000. The Cooperative has filed a consolidated income tax return with its subsidiaries for the calendar years 2001 and 2000.

The federal and state income tax liability is allocated to the affiliated group according to Internal Revenue Code Section 1552 using Basic Method One, which allocates the tax based on the amount of each Company's taxable income.

Pension Plan

The Cooperative participates in a multiemployer plan provided by the National Telephone Cooperative Association. See Note Q.

Cash Equivalents

The Cooperative considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NEMONT TELEPHONE COOPERATIVE, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001 AND 2000

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in preparation of the valuation used to record the post-retirement benefit accrual and those assumed in the recording of certain toll revenues or refund liabilities. It is at least reasonably possible that the significant estimates used will change within the next year.

Concentration of Credit Risk

The Company grants credit to individuals located within their service area. The Company performs monthly reviews of all past due accounts and requires a deposit as collateral. Credit losses consistently have been within management's expectation.

The Cooperative places its demand deposits with financial institutions that are members of the Federal Deposit Insurance Corporation, which insures deposits up to a maximum of \$100,000 per company in the ordinary course of business. Cash balances exceed the federally insured limits.

Net revenue settlements received from the National Exchange Carrier Association (NECA) represented 23% and 23% of total revenue for the years ended December 31, 2001 and 2000, respectively. Access and other charges billed to AT&T represent 17% and 18% of the total revenue for the years ended December 31, 2001 and 2000, respectively. No other entity accounted for more than 10% of the total revenue for the years ended December 31, 2001 and 2000.

Advertising Costs

The Cooperative expenses non-direct response advertising as incurred. The total amount spent for the years ended December 31, 2001 and 2000 was \$593,073 and \$699,307, respectively. The direct response promotional costs are discussed in Note E.

**NOTE B - ASSETS PLEDGED**

Substantially all assets are pledged as security for the long-term debt.

**NOTE C - CASH - GENERAL FUNDS**

Cash and cash equivalents consist of the following at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Cash on Hand	\$ 3,290	\$ 3,090
General Funds - Checking and Savings Accounts	4,639,948	3,098,101
NRUCFC Commercial Paper	12,234,516	7,933,941
	<u>\$ 16,877,754</u>	<u>\$ 11,035,132</u>

NEMONT TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

**NOTE D - SHORT-TERM INVESTMENT**

Short-term investments consists of capital-term certificates with the National Rural Utilities Cooperative Finance Corporation (NRUCFC) and Daniels-Sheridan Federal Credit Union that have a term of more than three months and less than one year.

**NOTE E - PREPAYMENTS**

Following is a summary of the amounts recorded as prepaid items at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Prepaid Postage	\$ 40,418	\$ 13,430
Prepaid Employee Benefits	49,039	45,948
Prepaid Commissions	81,472	70,487
Prepaid Advertising and Promotional Expenses	94,234	84,769
Prepaid Dues	32,462	20,513
Prepaid Miscellaneous	16,643	1,250
Prepaid Toll	71,655	88,368
	<u>\$ 385,923</u>	<u>\$ 324,765</u>

Prepaid commissions are paid to third party vendors on signing customers to cellular contracts. Prepaid toll is for one month's toll which is paid in advance for the long-distance services. The promotional expense is the cost of phones and accessories given away or sold at a loss to get customers signed up for service. These costs are being amortized over the life of the cellular service contracts. The promotional costs expensed for the years ended December 31, 2001 and 2000 was \$190,478 and \$138,492, respectively.

**NOTE F - AFFILIATED COMPANIES**

Affiliated companies consist of the following at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Equity Investment in Northwinds Publishing	\$ 0	\$ 0
Equity Investment in NTN	28,900	0
Equity Investment in Trimont	574,869	0
Equity Investment in Skyland Technologies, Inc.	204,404	292,608
Equity Investment in Vision Net, Inc.	311,674	263,983
Equity Investment in MITS, LLC.	379,573	283,820
	<u>\$ 1,499,420</u>	<u>\$ 840,411</u>

NEMONT TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

**NOTE F - AFFILIATED COMPANIES (CONTINUED)**

Income (Loss) from affiliated companies consists of the following for the years ended December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Equity Investment in Northwinds Publishing	\$ 0	\$ 0
Equity Investment in Skyland Technologies, Inc.	(59,579)	(57,392)
Equity Investment in Vision Net, Inc.	(130,933)	36,266
Equity Investment in MITS, LLC.	<u>20,754</u>	<u>(11,180)</u>
	<u>\$ (169,758)</u>	<u>\$ (32,306)</u>

**Northwinds Publishing**

The Company owns 263,252 shares of Northwinds Publishing's capital stock as of December 31, 2001 and 2000, giving the Company a 29.47% ownership in Northwinds Publishing. Below is a summary of assets and liabilities at September 30, 2001 and 2000, and a summary of the results of operations for the years ended September 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Current Assets	\$ 1,567,456	\$ 1,676,220
Noncurrent Assets	995,321	763,999
Property, Plant, and Equipment	<u>2,825,764</u>	<u>3,346,142</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,388,541</u>	<u>\$ 5,786,361</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities	\$ 3,753,204	\$ 3,965,686
Other Liabilities	2,687,728	2,949,171
Stockholders' Equity	<u>(1,052,391)</u>	<u>(1,128,496)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 5,388,541</u>	<u>\$ 5,786,361</u>
<b>STATEMENT OF INCOME AND RETAINED EARNINGS</b>		
Sales	\$ 4,958,100	\$ 4,332,876
Cost of Sales	(2,060,789)	(2,145,054)
Operating Expenses	(2,890,712)	(2,657,953)
Other Income (Expense)	<u>69,506</u>	<u>(166,485)</u>
Net Loss	76,105	(636,616)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>(4,112,550)</u>	<u>(3,475,934)</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ (4,036,445)</u>	<u>\$ (4,112,550)</u>

NEMONT TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE F - AFFILIATED COMPANIES (CONTINUED)

Skyland Technologies, Inc.

The Company purchased 7 shares of Skyland Technologies, Inc.'s capital stock since its inception on June 3, 1997. The Company was issued 3 in-kind shares on December 4, 1997, in return for expenses paid on behalf of Skyland Technologies, Inc. In 2001, the Company purchased an additional 6 shares of Skyland Technologies, Inc.'s capital stock. The Company owns a total of 16 shares of Skyland Technologies, Inc., at a total cost of \$650,000, which is a 22.535% ownership interest as of December 31, 2001. Below is a summary of assets and liabilities at December 31, 2001 and 2000, and a summary of the results of operations for the years ended December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Current Assets	\$ 226,842	\$ 321,592
Noncurrent Assets	81,799	186,465
Property, Plant, and Equipment	<u>1,571,796</u>	<u>1,077,441</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,880,437</u>	<u>\$ 1,585,498</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities	\$ 431,770	\$ 268,953
Stockholders' Equity	<u>1,448,667</u>	<u>1,316,545</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 1,880,437</u>	<u>\$ 1,585,498</u>
<b>STATEMENT OF INCOME AND RETAINED EARNINGS</b>		
Operating Revenues	\$ 69,436	\$ 27,962
Operating Expenses	(454,566)	(349,444)
Other Income (Expense)	<u>3,396</u>	<u>75,785</u>
Net Loss	(381,734)	(245,697)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>(1,289,954)</u>	<u>(1,044,257)</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ (1,671,688)</u>	<u>\$ (1,289,954)</u>

Vision Net, Inc.

The Company purchased 2,500 shares of Vision Net, Inc.'s capital stock on September 20, 1995, for \$25,000. The Company purchased 15,000 and 7,500 shares on April 29, 1996, and June 7, 1996, for \$150,000 and \$75,000, respectively. The Company owns a total of 25,000 shares of Vision Net, Inc., at a total cost of \$250,000, which is a 20.00% ownership as of December 31, 2001 and 2000. Below is a summary of assets and liabilities at September 30, 2001 and 2000, and a summary of the results of operations for the years ended September 30, 2001 and 2000:

NEMONT TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE F - AFFILIATED COMPANIES (CONTINUED)

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Current Assets	\$ 606,677	\$ 535,029
Noncurrent Assets	117,722	297,863
Property, Plant, and Equipment	<u>1,930,854</u>	<u>1,980,226</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,655,253</u></b>	<b>\$ <u>2,813,118</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities	\$ 625,545	\$ 261,695
Other Liabilities	1,007,688	1,231,510
Stockholders' Equity	<u>1,022,020</u>	<u>1,319,913</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ <u>2,655,253</u></b>	<b>\$ <u>2,813,118</u></b>
<b>STATEMENT OF INCOME AND RETAINED EARNINGS</b>		
Operating Revenues	\$ 2,598,106	\$ 2,228,314
Cost of Sales	(256,251)	(517,573)
Operating Expenses	(2,713,033)	(1,642,605)
Other Income (Expense)	21,507	37,799
Other Income (Expense)	<u>51,778</u>	<u>(30,650)</u>
Net Income (Loss)	(297,893)	75,285
RETAINED EARNINGS, BEGINNING OF YEAR	<u>69,913</u>	<u>(5,372)</u>
RETAINED EARNINGS, END OF YEAR	<b>\$ <u>(227,980)</u></b>	<b>\$ <u>69,913</u></b>

MITS, LLC.

The Cooperative contributed \$75,000 and \$295,000, respectively, in capital during the years ended December 31, 2001 and 2000 for a 50% interest of this limited liability company. MITS, LLC. was formed on January 1, 2000.

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Current Assets	\$ 155,826	\$ 85,882
Property, Plant, and Equipment	<u>643,389</u>	<u>496,947</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>799,215</u></b>	<b>\$ <u>582,829</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities	\$ 40,069	\$ 5,788
Members' Equity	<u>759,146</u>	<u>577,041</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ <u>799,215</u></b>	<b>\$ <u>582,829</u></b>

NEMONT TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

NOTE F - AFFILIATED COMPANIES (CONTINUED)

	<u>2001</u>	<u>2000</u>
<b>STATEMENT OF INCOME AND RETAINED EARNINGS</b>		
Operating Revenues	\$ 566,877	\$ 340,332
Operating Expenses	(561,295)	(365,740)
Operating Taxes	(614)	(364)
Other Income (Expense)	<u>36,540</u>	<u>3,410</u>
Net Income (Loss)	41,508	(22,362)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>(22,362)</u>	<u>0</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 19,146</u>	<u>\$ (22,362)</u>

NOTE G - NONREGULATED INVESTMENTS

Nonregulated investments consist of the following at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
<u>Investments in Affiliates</u>		
Rural Telephone Bank - Stock	\$ 2,000	\$ 2,000
Rural Telephone Bank - FINA	1,000	1,000
Development Credit Corp. of MT - 2 shares	100	100
MASCI - 2 shares	200	200
Daniels Sheridan Federal Credit Union	112	108
North Central Regional Processing Center - Stock	20,000	20,000
National Rural Telephone Cooperative	2,000	2,000
National Information Solutions Cooperative - Membership	1,100	1,100
Absarokee Water Cooperative, Inc.	25	25
CIT Communication, Inc.	265,000	265,000
Montana Advanced Information Network, Inc.	660,000	460,000
Big Horn County Electric Cooperative, Inc.	929	929
McCone Electric Cooperative, Inc.	25	25
Lower Yellowstone Rural Electric Cooperative, Inc.	<u>40</u>	<u>40</u>
	<u>952,531</u>	<u>752,527</u>
<u>Other Investments</u>		
RTFC - Capital Term Certificates	1,109,240	1,213,532
RUS Interim Loans	1,735	5,902
Rural Telephone Bank - Stock Certificates	269,898	255,088
ANPI Stock	100	100
Montana PCS Alliance	265,321	222,550
Notes receivable - National Information Solutions Coop - 6.325%	<u>100,000</u>	<u>100,000</u>
	<u>1,746,294</u>	<u>1,797,172</u>
Investments in Patronage Entities	<u>985,850</u>	<u>967,472</u>
<b>TOTAL NONREGULATED INVESTMENTS</b>	<u>\$ 3,684,675</u>	<u>\$ 3,517,171</u>

NEMONT TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

**NOTE H - GOODWILL**

Goodwill is the excess of the purchase price of Sagebrush Cellular, Inc. stock over the net book value of Sagebrush Cellular, Inc.'s assets. The goodwill is being amortized using the straight-line method over a period of fifteen years.

**NOTE I - NOTES RECEIVABLE**

Notes receivable consists of a variable interest rate note due from Montola Growers, Inc. with an interest rate of 8.40% as of December 31, 2001 and 2000. There were no advances for the years ended December 31, 2001 and 2000. Interest was received in the amount of \$59,338 during the year ended December 31, 2001, the Company then applied the interest payment towards the principle and forgave the interest for 2001. During the year ended December 31, 2001, the maturity date was extended from February 1, 2002 to February 1, 2003.

During the year ended December 31, 2000, the Company converted \$75,500 in accounts receivable from NorthWinds Publishing to a note receivable. The note bears interest of 9.83% and has a term of sixty months. Monthly installments are due in the amount of \$1,598 including principal and interest. Principal payments of \$18,229 were received during the year ended December 31, 2001.

**NOTE J - TELECOMMUNICATION AND GENERAL PLANT IN SERVICE**

Telephone and general plant in service and under construction is stated at cost. Listed below are major classes of plant at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Land and Land Improvements	\$ 380,968	\$ 374,386
Buildings	9,821,091	9,686,489
Central Office Equipment	21,301,047	20,197,273
Vehicles	2,267,107	2,016,890
Communications Equipment	10,137,389	8,784,493
Poles, Cables, Wires	45,193,815	42,466,724
Furniture and Office Equipment	2,278,503	2,210,142
Tools and Other Work Equipment	1,864,857	1,826,221
	<u>\$ 93,244,777</u>	<u>\$ 87,562,618</u>

The Cooperative provides for depreciation on a straight-line basis at annual rates that will amortize the depreciable property over its estimated useful life. Individual plant depreciation rates are as follows:

Buildings - Headquarters	2.90%, 3.10%
Buildings - Other	8.00%
Central Office Equipment - Switching	8.20%, 10.00%
Central Office Equipment - Transmission	6.50%, 11.80%
Outside Plant	3.30%, 4.00%, 4.80%, 9.20%, 10.30%
Office Furniture and Equipment	4.50%, 7.50%, 14.29%, 20.00%, 25.00%
Vehicles	20.00%, 25.00%
Work Equipment	8.00%

NEMONT TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

**NOTE K - TELECOMMUNICATIONS PLANT ADJUSTMENT**

The Cooperative purchased several telephone exchanges from US West on April 15, 1994. The excess of the purchase price of the telecommunications plant acquired, which equates cost, less the book value per US West's books, has been recorded as the telephone plant adjustment. The telephone plant adjustment is being amortized on the straight-line basis over a fifteen year period.

The Cooperative acquired additional properties during 1981. The excess of the purchase price of the telecommunications plant acquired exceeded the acquired net book value by \$336,650. The telecommunications plant adjustment related to this acquisition has been fully amortized as prescribed by the Montana Public Service Commission.

**NOTE L - MORTGAGE NOTES**

Long-term debt is represented by mortgage notes payable to the United States of America (RUS and RTB) and the Rural Telephone Finance Cooperative. Following is a summary of outstanding long-term debt at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
2% Note maturing in 2002	\$ 1,137	\$ 2,798
2% Note maturing in 2003	6,122	10,984
2% Note maturing in 2004	48,138	65,075
2% Note maturing in 2005	1,746	2,113
2% Note maturing in 2006	83,487	101,102
2% Note maturing in 2007	312,774	365,561
2% Note maturing in 2008	254,677	291,107
2% Note maturing in 2009	425,293	477,253
5% Note maturing in 2009	447,191	491,588
2% Note maturing in 2010	588,073	651,045
2% Note maturing in 2011	839,190	918,435
2% Note maturing in 2012	175,375	190,258
5% Note maturing in 2013	335,654	355,664
RTB - 6.35% Note maturing in 2013	1,551,195	1,644,847
RTB - 6.40% Note maturing in 2013	184,646	195,766
RTB - 6.88% Note maturing in 2013	562,496	595,356
5% Note maturing in 2018	5,089,068	5,273,461
RTB - 10% Note maturing in 2018	103,156	105,529
5% Note maturing in 2021	4,241,149	4,369,214
RTFC - 6.45% fixed rate notes maturing in 2009	6,638,171	7,407,065
RTFC - 6.60% fixed rate notes maturing in 2009	6,638,171	7,407,065
RTFC - 7.30% fixed rate notes maturing in 2009	6,524,982	7,271,665
Economic Development Notes	0	13,193
Prepayments	<u>(79,394)</u>	<u>(75,547)</u>
	34,972,497	38,130,597
Less: Current Maturities	<u>(3,333,876)</u>	<u>(3,141,949)</u>
	<u>\$ 31,638,621</u>	<u>\$ 34,988,648</u>

NEMONT TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE L - MORTGAGE NOTES (CONTINUED)

Unadvanced loan funds of \$4,251,888 are available at December 31, 2001, to the Cooperative on commitments from Rural Telephone Finance Cooperative. As of December 31, 2001, there was \$52,500 in unadvanced loan funds available from the Rural Telephone Bank.

Principal and interest on the above RUS notes are paid in quarterly installments for principal and monthly installments for interest for a total of approximately \$323,750 per quarter. Principal and interest on the Rural Telephone Bank notes are due in monthly equal installments of approximately \$50,700. Principal and interest installments on the Rural Telephone Finance Cooperative notes are due quarterly in equal installments of approximately \$942,000.

The maturities of long-term debt for each of the five years subsequent to December 31, 2001, are as follows:

2002	\$	3,333,876
2003		3,469,118
2004		3,613,156
2005		3,767,228
2006		3,929,301
Thereafter		<u>16,859,818</u>
	\$	<u>34,972,497</u>

NOTE M - OTHER LIABILITIES

Other liabilities consist of the following at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Deferred investment tax credit	\$ 86,516	\$ 119,480
Less: Current portion of Unamortized Investment Tax Credit	(32,964)	(32,964)
Deferred advanced payments	<u>3,442</u>	<u>3,442</u>
	<u>\$ 56,994</u>	<u>\$ 89,958</u>

Deferred investment tax credits are used to offset federal income tax as required by the Public Service Commission. Accordingly, federal taxable income for the years ended December 31, 2001 and 2000, was reduced by \$32,964. The difference between book and tax income, pertaining to investment tax credits, are accounted for using the normalization method of accounting, as is required for property placed in service after December 31, 1980, under the Economic Recovery Act of 1981.

NEMONT TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

**NOTE N - PATRONAGE CAPITAL AND OTHER EQUITIES**

Patronage capital consists of the following at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Assignable	\$ 1,322,987	\$ 508,047
Assigned to Date	<u>21,695,098</u>	<u>21,187,051</u>
	23,018,085	21,695,098
Less: Retirements to Date	<u>14,562,609</u>	<u>13,349,293</u>
	<u>\$ 8,455,476</u>	<u>\$ 8,345,805</u>

Under the provisions of the Mortgage Agreement, until the equities and margins equal or exceed forty percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to twenty-five percent of the patronage capital or margins received by the Cooperative in the prior calendar year. The patronage capital and margins of the Cooperative represent 74% of the total assets at December 31, 2001, and 70% of the total assets at December 31, 2000.

Other equities consist of the following at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Discounted Estate Capital Credits	\$ 221,541	\$ 221,541
Membership Certificate Refunds Not Claimed	7,641	7,641
Discount on Retirement of Capital Credits	287,078	250,052
Equity in Earnings of Subsidiaries - Note S	32,550,702	28,646,188
Retained Earnings - Permanent Capital	<u>2,171,627</u>	<u>2,224,424</u>
	<u>\$ 35,238,589</u>	<u>\$ 31,349,846</u>

**NOTE O - NON-OPERATING INCOME**

Non-operating income consists of the following for the years ended December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Dividend Income	\$ 201,021	\$ 228,655
Interest Income	750,941	1,178,530
Income (Loss) from Affiliates - Note F	(169,759)	(32,306)
Gain (Loss) on the Sale of Equipment	(44,506)	(1,445)
Gain (Loss) on the Sale of Investments	0	134,253
Other Activities - Net	0	0
Special Charges	(1,500)	(1,650)
Non-operating Income Taxes - Note R	(186,728)	(397,798)
Non-operating Income Tax Refund	<u>0</u>	<u>0</u>
	<u>\$ 549,469</u>	<u>\$ 1,108,239</u>

**NEMONT TELEPHONE COOPERATIVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2001 AND 2000**

**NOTE P - MARKETABLE SECURITIES**

Nemont Telephone Cooperative, Inc. owns 13,741 and 13,518 shares of Homestead Funds, Inc. at December 31, 2001 and 2000, respectively, which are carried at fair value in accordance with SFAS 115.

Nemont Telephone Cooperative, Inc. owns 20 shares of Semolina Special Preferred Stock at December 31, 2001 which is carried at fair value in accordance with SFAS 115.

Nemont Telephone Cooperative, Inc. and Project Telephone Company both own Zero Coupon Bonds at December 31, 2001 and 2000, respectively, which are carried at fair value in accordance with SFAS 115.

The unrealized gain is calculated as follows:

	<u>2001</u>	<u>2000</u>
Fair Value	\$ 452,167	\$ 421,040
Cost	<u>(295,351)</u>	<u>(266,172)</u>
Accumulated Unrealized Gain before deferred income tax effect	156,816	154,868
Less: Deferred Income Tax Liability	<u>(63,903)</u>	<u>(63,109)</u>
Accumulated Unrealized Gain on Marketable Securities	<u>\$ 92,913</u>	<u>\$ 91,759</u>

**NOTE Q - PENSION PLAN AND POST-RETIREMENT BENEFITS**

The employees of the Nemont Telephone Cooperative, Inc. participate in the National Telephone Cooperative Association (NTCA) Retirement and Security Program.

Nemont Telephone Cooperative, Inc. makes annual contributions to the plan equal to the amount accrued for pension expense. In this master multiemployer plan, which is available to all member Cooperatives of NTCA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The total pension contributions for the years ended December 31, 2001 and 2000, were \$286,559 and \$295,665, respectively.

The employees of the Nemont Telephone Cooperative, Inc. participate in the NTCA Savings Plan. Under this plan the Cooperative contributes 4% of the employees' annual salary and the employees are required to contribute 4% of the employees annual salary. The total contributions by the Cooperative to the plan for the years ended December 31, 2001 and 2000, were \$141,512 and \$146,703, respectively.

The employees of the Project Telephone Company participate in the NTCA Savings Plan. Under this plan the Company contributes 12% of the employees' annual salary and the employees are required to contribute 2.8% of the employees' annual salary. The total contributions by the Company to the plan for the years ended December 31, 2001 and 2000, were \$116,731 and \$94,038 respectively.

The employees of the Valley Telecommunications, Inc. participate in the NTCA Savings Plan. Under this plan the Company contributes 12% of the employees' annual salary and the employees are required to contribute 2.8% of the employees annual salary. The total contributions by the Company to the plan for the years ended December 31, 2001 and 2000, were \$, respectively.

NEMONT TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE Q - PENSION PLAN AND POST-RETIREMENT BENEFITS (CONTINUED)

In addition to providing pension benefits, the Nemont Telephone Cooperative, Inc., Project Telephone Company, Valley Telecommunications, Inc., and Sagebrush Cellular, Inc. all provide health care benefits for employees who are eligible to retire under the rule of 85 before attaining the age of 65. The Cooperative and its subsidiaries pay 50% of the cost of the health insurance premiums until the retired employee attains 65 years of age. Substantially all of the employees may become eligible for these benefits if they reach retirement age while working for the Cooperative or its subsidiaries. During the years ended December 31, 2001 and 2000, Nemont Telephone Cooperative and its subsidiaries accrued an additional liability of \$93,259 and \$52,536, respectively, for this post-retirement benefit expense attributable to the current operating periods. During the years ended December 31, 2001 and 2000, the Cooperative and its subsidiaries paid out \$25,348 and \$22,431, respectively, for post-retirement benefits.

Included in other accrued and current liabilities at December 31, 2001 and 2000, is \$255,657 and \$189,714, respectively, which represents the manager's supplemental retirement liability.

NOTE R - INCOME TAXES

Nemont Telephone Cooperative, Inc. allocated all margins from operations at December 31, 2001 and 2000, to its patrons, except for nonmember margins upon which it paid federal and state income tax.

Current income tax expense for the Cooperative and subsidiaries are as follows:

	<u>2001</u>	<u>2000</u>
Project Telephone Company	\$ 259,097	\$ 157,838
Valley Telecommunications, Inc.	925,591	766,426
Nemont Communications, Inc.	313,710	654,344
Sagebrush Cellular, Inc.	<u>249,704</u>	<u>19,652</u>
	<u>\$ 1,748,102</u>	<u>\$ 1,598,260</u>
Nemont Telephone Cooperative, Inc. - Non-operating	\$ 80,437	\$ 105,057
Project Telephone Company - Non-operating	<u>106,291</u>	<u>292,741</u>
	<u>\$ 186,728</u>	<u>\$ 397,798</u>

Deferred income tax expense (benefit) for the Cooperative and subsidiaries are as follows:

	<u>2001</u>	<u>2000</u>
Nemont Telephone Cooperative, Inc. - Deferred comprehensive	\$ 387	\$ 6,362
Project Telephone Cooperative, Inc. - Deferred comprehensive	<u>83</u>	<u>1,208</u>
	<u>\$ 470</u>	<u>\$ 7,570</u>

NEMONT TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE R - INCOME TAXES (CONTINUED)

	<u>2001</u>	<u>2000</u>
Project Telephone Company	\$ 182,074	\$ 259,500
Valley Telecommunications, Inc.	97,838	150,254
Nemont Communications, Inc.	(337,122)	56,158
Sagebrush Cellular, Inc.	<u>12,503</u>	<u>87,581</u>
	<u>\$ (44,707)</u>	<u>\$ 553,493</u>

As of January 1, 1993, the Cooperative adopted the provisions of the Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". SFAS No. 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial and tax bases using enacted tax treatment in effect for the year in which the differences are expected to reverse.

The components of the net deferred tax assets, calculated using a federal tax rate of 34% and a state tax rate of 6.75%, were as follows at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Non-operating Deferred Tax Assets		
Suspended Loss Carryforward - Vision Net	\$ (9,080)	\$ (9,080)
Suspended Loss Carryforward - Skyland	(137,868)	0
Suspended Loss Carryforward - Northwinds Publishing, Inc.	<u>(298,469)</u>	<u>(298,469)</u>
	<u>\$ (445,417)</u>	<u>\$ (307,549)</u>

The non-operating deferred tax assets are from suspended loss carryforwards created by the losses recognized for the investments in Northwinds Publishing and Vision Net, Inc. as disclosed in Note F.

The components of the net deferred tax liabilities, calculated using a federal tax rate of 34% and a state tax rate of 6.75%, were as follows at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Deferred Tax Assets		
Accrued Post Retirement Benefits	\$ (71,391)	\$ (61,154)
Deferred Tax Liabilities		
Depreciation	3,792,026	4,540,540
Unrealized Gain on Available for Sale Securities	<u>63,903</u>	<u>63,109</u>
	<u>3,855,929</u>	<u>4,603,649</u>
Net Deferred Tax Liability	<u>\$ 3,784,538</u>	<u>\$ 4,542,495</u>

Based on the Company's historical taxable transactions and the timing of the reversal of existing temporary differences, management believes it is more likely than not that the company's future taxable income will be sufficient to realize the benefit of the tax credit carryforwards existing at December 31, 2001.

NEMONT TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

**NOTE R - INCOME TAXES (CONTINUED)**

A detail of the income tax payable and receivable is as follows at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Federal income tax payable	\$ 0	\$ 91,270
State income tax payable	13,477	27,745
	<u>\$ 13,477</u>	<u>\$ 119,015</u>
Federal income tax receivable	<u>\$ 105,415</u>	<u>\$ 0</u>

**NOTE S - EQUITY EARNINGS OF SUBSIDIARIES**

The equity in the earnings of its subsidiaries, Nemont Communications, Inc., Project Telephone Company, and Valley Telecommunications, Inc., is as follows at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
<b>Nemont Communications, Inc. (including Sagebrush Cellular, Inc.)</b>		
Balance at Beginning of Year	\$ 3,304,683	\$ 2,980,720
Add: Net Income	323,352	323,963
Balance at End of Year	<u>\$ 3,628,035</u>	<u>\$ 3,304,683</u>
<b>Project Telephone Company</b>		
Balance at Beginning of Year	\$ 19,621,573	\$ 17,425,664
Add: Net Income	1,964,235	2,195,909
Balance at End of Year	<u>\$ 21,585,808</u>	<u>\$ 19,621,573</u>
<b>Valley Telecommunications, Inc.</b>		
Balance at Beginning of Year	\$ 5,719,932	\$ 4,239,511
Add: Net Income	1,616,927	1,480,421
Balance at End of Year	<u>\$ 7,336,859</u>	<u>\$ 5,719,932</u>
Total Equity in Earnings of Subsidiary	<u>\$ 32,550,702</u>	<u>\$ 28,646,188</u>

**NOTE T - RELATED PARTY TRANSACTIONS**

Nemont Telephone Cooperative, Inc. has investments in Northwinds Publishing and Vision Net, Inc. which are accounted for under the equity method as discussed in Note F. The related party balances are as follows at December 31, 2001, and 2000:

	<u>2001</u>	<u>2000</u>
<b>Related Party Receivables:</b>		
Northwinds Publishing	\$ 831,817	\$ 781,817
Vision Net, Inc.	0	6,000
Employees	78,536	88,350
	<u>\$ 910,353</u>	<u>\$ 876,167</u>

**NEMONT TELEPHONE COOPERATIVE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2001 AND 2000**

**NOTE U - CONSOLIDATION**

Nemont Telephone Cooperative, Inc. owns 100% of the outstanding stock of Valley Telecommunications, Inc., 100% of the outstanding stock of Project Telephone Company, and 20% of the outstanding stock of Nemont Communications, Inc.

Project Telephone Company owns 80% of the outstanding stock of Nemont Communications, Inc. Project Telephone Company purchased an additional 158 shares of Nemont Communications, Inc.'s stock during the year ended December 31, 2001 at a cost of \$1,000,000.

Nemont Communications, Inc. owns 100% of the outstanding stock of Sagebrush Cellular, Inc.

**NOTE V - CONTINGENCIES**

Inquiry of legal counsel for the Cooperative and its subsidiaries indicated no known litigation at December 31, 2001.

The Cooperative is guarantor on a loan advanced to Northwinds Publishing, by Daryl A. Soltesz and Betty J. Soltesz. The guarantee is \$383,344 plus accrued interest if applicable, and was signed on June 1, 1995. The Company's share of the balance remaining of the loan guaranteed was \$238,987 and \$288,095, respectively, as of September 30, 2001 and 2000. The commitment has not been accrued on the financial statements at December 31, 2001 and 2000.

The Cooperative is guarantor on two loans advanced to Northwinds Publishing, by the Rural Telephone Finance Cooperative. The guarantee is \$757,894, plus accrued interest if applicable. The Company's share of the balances remaining on the loans guaranteed was \$481,538 and \$529,410, respectively as of September 30, 2001 and 2000. The commitment has not been accrued on the financial statements at December 31, 2001 and 2000.

The Cooperative is guarantor on a loan advanced to Vision Net, Inc., by the Rural Telephone Finance Cooperative. The guarantee is \$526,316, plus accrued interest if applicable, and was signed on September 1, 1996. The Company's share of the balances remaining on the loans guaranteed was \$307,877 and \$360,442, respectively, as of September 30, 2001 and 2000. The commitment has not been accrued on the financial statements at December 31, 2001 and 2000.

**NOTE W - LINE OF CREDIT**

Nemont Telephone Cooperative, Inc. has an open line of credit available from the Rural Telephone Finance Cooperative in the amount of \$1,000,000 for a 60 month period starting April, 1999. No funds have been drawn down as of December 31, 2001.

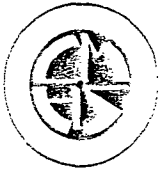
Project Telephone Company, Inc. has an open line of credit available from the Rural Telephone Finance Cooperative in the amount of \$1,000,000 for a 60 month period starting in April of 1999. No funds have been drawn down as of December 31, 2001.

NEMONT TELEPHONE COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

**NOTE W - LINE OF CREDIT (CONTINUED)**

Valley Telecommunications, Inc. has an open line of credit available from the Rural Telephone Finance Cooperative in the amount of \$1,000,000 for a 60 month period starting in April of 1999. No funds have been drawn down as of December 31, 2001.

Nemont Communications, Inc. has an open line of credit available from the Rural Telephone Finance Cooperative in the amount of \$1,000,000 for a 60 month period starting in April of 1999.



**CHMS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067  
104 Second Avenue S.W.  
Sidney, Montana 59270  
406-482-2092  
1-800-676-2467  
FAX 406-482-2095

---

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Nemont Telephone Cooperative, Inc.

Our report on our audits of the consolidated financial statements of Nemont Telephone Cooperative, Inc. and its subsidiaries for 2001 and 2000 appears on page 1. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information in Schedules I, II, and III is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*CHMS PC*

CHMS, P.C.  
Certified Public Accountants  
Sidney, Montana

February 8, 2002

SUPPLEMENTARY INFORMATION

NEMONT TELEPHONE COOPERATIVE, INC.

SCHEDULE I

CONSOLIDATING BALANCE SHEET - DECEMBER 31, 2001

ASSETS

	NEMONT TELEPHONE COOP, INC.	PROJECT TELEPHONE COMPANY	VALLEY TELECOMM. INC.	NEMONT COMMUN. INC.	SAGEBRUSH CELLULAR INC.	INTERCOMPANY ELIMINATIONS	NEMONT TELEPHONE CONSOLIDATED
<b>CURRENT ASSETS</b>							
Cash - General Funds	\$ 6,759,587	\$ 3,420,549	\$ 4,875,378	\$ 348,869	\$ 1,473,371	\$	\$ 16,877,754
Telecommunications Accounts Receivable	840,928	937,625	961,156	0	0		2,739,709
Other Accounts Receivable	113,852	178,462	2,199	357,948	362,730		1,015,191
Related Party Receivables	1,009,403	121,843	198,903	1,334,889	505,987	(2,260,672)	910,353
Interest Receivable	10,878	7,909	7,347	3,001	1,920	(906)	30,149
Current Portion of Notes Receivable	0	0	0	61,246	0		61,246
Short-term Investments	170,130	226,840	0	0	0		396,970
Materials and Supplies	1,204,553	921,875	0	183,333	62,274		2,372,035
Income Tax Receivable	105,415	0	0	0	0		105,415
Prepayments	78,832	19,709	21,236	110,351	155,795		385,923
	<u>10,293,578</u>	<u>5,834,812</u>	<u>6,066,219</u>	<u>2,399,637</u>	<u>2,562,077</u>		<u>24,894,745</u>
<b>NONCURRENT ASSETS</b>							
Investment in Subsidiaries	39,241,401	16,478,324	0	5,712,204	0	(59,932,508)	1,499,421
Marketable Securities - Available for Sale	263,686	31,665	0	0	0	156,816	452,167
Nonregulated Investments	715,345	812,423	822,331	1,294,997	39,579		3,684,675
Goodwill	0	0	0	8,145	0		8,145
Notes Receivable	0	0	0	733,725	0		733,725
Deferred Tax Asset	0	0	0	445,417	0		445,417
	<u>40,220,432</u>	<u>17,322,412</u>	<u>822,331</u>	<u>8,194,488</u>	<u>39,579</u>		<u>6,823,550</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>							
Telecommunications Plant in Service	30,735,644	24,716,197	16,467,250	17,385,888	3,939,798		93,244,777
Telecommunications Plant Under Construction	39,073	630,724	73,840	369,804	70,610		1,184,051
Telecommunications Plant Adjustment	4,328,087	4,395,210	5,233,454	0	0		13,956,751
	<u>35,102,804</u>	<u>29,742,131</u>	<u>21,774,544</u>	<u>17,755,692</u>	<u>4,010,408</u>		<u>108,385,579</u>
Less: Accumulated Provision for Depreciation and Amortization	<u>26,374,763</u>	<u>13,983,008</u>	<u>6,774,457</u>	<u>3,654,015</u>	<u>1,550,760</u>		<u>52,337,003</u>
	<u>8,728,041</u>	<u>15,759,123</u>	<u>15,000,087</u>	<u>14,101,677</u>	<u>2,459,648</u>		<u>56,048,576</u>
	<u>\$ 59,242,051</u>	<u>\$ 38,916,347</u>	<u>\$ 21,888,637</u>	<u>\$ 24,695,802</u>	<u>\$ 5,061,304</u>		<u>\$ 87,766,871</u>

NEMONT TELEPHONE COOPERATIVE, INC.

SCHEDULE I

CONSOLIDATING BALANCE SHEET - DECEMBER 31, 2001

LIABILITIES AND EQUITIES

	NEMONT TELEPHONE COOP, INC.	PROJECT TELEPHONE COMPANY	VALLEY TELECOMM. INC.	NEMONT COMMUN. INC.	SAGEBRUSH CELLULAR INC.	INTERCOMPANY ELIMINATIONS	NEMONT TELEPHONE CONSOLIDATED
<b>CURRENT LIABILITIES</b>							
Accounts Payable	\$ 412,115	\$ 358,612	\$ 304,260	\$ 1,065,175	\$ 203,045	\$	\$ 2,343,207
Related Party Payables	449,854	386,175	693,929	679,249	51,465	(2,260,672)	0
Advance Billings and Payments	1,917	178,411	0	501	0		180,829
Customer Deposits	35,241	66,766	72,602	0	47,975		222,584
Current Maturities of Long-Term Debt	1,298,885	1,051,048	983,943	0	0		3,333,876
Current Portion of Unamortized Investment Tax Credit	0	32,964	0	0	0		32,964
Current Portion of Deferred Income Tax	0	0	0	0	0		0
Accrued Taxes Payable	62,959	82,118	233,494	157,623	0		536,194
Accrued Interest Payable	90,196	65,311	81,499	906	0	(906)	237,006
Accrued Income Taxes Payable	13,477	0	0	0	0		13,477
Other Accrued and Current Liabilities	1,213,304	194,920	180,000	11,378	0		1,599,602
	<u>3,577,948</u>	<u>2,416,325</u>	<u>2,549,727</u>	<u>1,914,832</u>	<u>302,485</u>		<u>8,499,739</u>
<b>LONG-TERM DEBT</b>							
Mortgage Notes	11,970,038	12,475,932	7,192,652	0	0		31,638,622
<b>OTHER LIABILITIES</b>	0	56,994	0	0	0		56,994
<b>DEFERRED INCOME TAX LIABILITY</b>	0	1,746,348	1,309,400	498,426	166,461	63,903	3,784,538
<b>EQUITIES</b>							
Patronage Capital	8,455,476	0	0	0	0		8,455,476
Other Equities	35,238,589	22,220,748	10,836,858	22,282,544	4,592,358	(59,932,508)	35,238,589
Accumulated Unrealized Gain on Marketable Securities	0	0	0	0	0	92,913	92,913
	<u>43,694,065</u>	<u>22,220,748</u>	<u>10,836,858</u>	<u>22,282,544</u>	<u>4,592,358</u>		<u>43,786,978</u>
	<u>\$ 59,242,051</u>	<u>\$ 38,916,347</u>	<u>\$ 21,888,637</u>	<u>\$ 24,695,802</u>	<u>\$ 5,061,304</u>		<u>\$ 87,766,871</u>

NEMONT TELEPHONE COOPERATIVE, INC.

SCHEDULE II

CONSOLIDATING STATEMENT OF REVENUE

FOR THE YEARS ENDED DECEMBER 31, 2001

	NEMONT TELEPHONE COOP, INC.	PROJECT TELEPHONE COMPANY	VALLEY TELECOMM. INC.	NEMONT COMMUN. INC.	SAGEBRUSH CELLULAR INC.	INTERCOMPANY ELIMINATIONS	NEMONT TELEPHONE CONSOLIDATED
<b>OPERATING REVENUE</b>							
Local Network Service	\$ 1,617,854	\$ 1,435,990	\$ 2,181,709	\$ 0	\$ 0	\$	\$ 5,235,553
Network Access	6,696,626	5,610,061	6,188,925	0	0		18,495,612
Net Sales and Miscellaneous	495,847	32,819	624,782	3,975,272	3,110,605	(3,349,896)	4,889,429
	<u>8,810,327</u>	<u>7,078,870</u>	<u>8,995,416</u>	<u>3,975,272</u>	<u>3,110,605</u>		<u>28,620,594</u>
<b>OPERATING EXPENSES</b>							
Plant Specific Operations	3,334,798	1,743,683	2,226,607	0	0	(3,288,010)	4,017,078
Plant Nonspecific Operations	254,487	266,690	216,396	1,905,337	1,039,192	(43,082)	3,639,020
Customer Operations	651,893	639,669	656,851	0	0		1,948,413
Corporate Operations	970,488	894,212	975,320	241,270	608,322	(18,804)	3,670,808
Depreciation and Amortization	1,776,682	1,481,320	1,407,198	868,585	543,245		6,077,030
	<u>6,988,348</u>	<u>5,025,574</u>	<u>5,482,372</u>	<u>3,015,192</u>	<u>2,190,759</u>		<u>19,352,349</u>
<b>OPERATING TAXES</b>							
Federal and State Income Tax	0	259,097	925,591	313,710	249,704		1,748,102
Deferred Income Tax	0	182,074	97,838	(337,122)	12,503		(44,707)
Investment Tax Credit	0	(32,964)	0	0	0		(32,964)
Other Operating Taxes	139,078	177,500	517,312	0	0		833,890
	<u>139,078</u>	<u>585,707</u>	<u>1,540,741</u>	<u>(23,412)</u>	<u>262,207</u>		<u>2,504,321</u>
<b>OPERATING INCOME</b>	1,682,901	1,467,589	1,972,303	983,492	657,639		6,763,924
<b>NON-OPERATING NET INCOME</b>	4,200,125	1,337,235	228,960	508,579	52,673	(5,778,103)	549,469
<b>INCOME BEFORE FIXED CHARGES</b>	5,883,026	2,804,824	2,201,263	1,492,071	710,312		7,313,393
<b>FIXED CHARGES</b>							
Interest on Funded Debt	736,609	835,153	579,615	0	0		2,151,377
Other Interest Expense	0	6,717	4,722	1,967	4,379	(906)	16,879
	<u>736,609</u>	<u>841,870</u>	<u>584,337</u>	<u>1,967</u>	<u>4,379</u>		<u>2,168,256</u>
<b>NET INCOME FROM OPERATIONS</b>	5,146,417	1,962,954	1,616,926	1,490,104	705,933		5,145,137
<b>NONREGULATED NET INCOME (EXPENSE)</b>	14,641	1,280	0	0	0		15,921
<b>NET INCOME</b>	\$ 5,161,058	\$ 1,964,234	\$ 1,616,926	\$ 1,490,104	\$ 705,933		\$ 5,161,058

NEMONT TELEPHONE COOPERATIVE, INC.  
 SCHEDULE II  
 CONSOLIDATING STATEMENT OF REVENUE AND PATRONAGE CAPITAL  
 FOR THE YEARS ENDED DECEMBER 31, 2001

	NEMONT TELEPHONE COOP, INC.	PROJECT TELEPHONE COMPANY	VALLEY TELECOMM. INC.	NEMONT COMMUN. INC.	SAGEBRUSH CELLULAR INC.	INTERCOMPANY ELIMINATIONS	NEMONT TELEPHONE CONSOLIDATED
<b>NET INCOME - CARRIED FROM PAGE 29</b>	\$ 5,161,058	\$ 1,964,234	\$ 1,616,926	\$ 1,490,104	\$ 705,933		\$ 5,161,058
<b>OTHER COMPREHENSIVE INCOME</b>							
Unrealized Gain on Available for Sale Securities	0	0	0	0	0	1,154	1,154
Deferred Income Tax Benefit (Expense)	0	0	0	0	0	(470)	(470)
	0	0	0	0	0		684
<b>COMPREHENSIVE INCOME</b>	<u>\$ 5,161,058</u>	<u>\$ 1,964,234</u>	<u>\$ 1,616,926</u>	<u>\$ 1,490,104</u>	<u>\$ 705,933</u>		<u>\$ 5,161,742</u>

NEMONT TELEPHONE COOPERATIVE, INC.  
SCHEDULE III  
CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2001

	NEMONT TELEPHONE COOP, INC.	PROJECT TELEPHONE COMPANY	VALLEY TELECOMM. INC.	NEMONT COMMUN. INC.	SAGEBRUSH CELLULAR INC.	INTERCOMPANY ELIMINATIONS	NEMONT TELEPHONE CONSOLIDATED
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Net Income	\$ 5,161,058	\$ 1,964,234	\$ 1,616,026	\$ 1,490,104	\$ 705,933	(5,777,197)	\$ 5,161,058
Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities:							
Depreciation and Amortization	1,776,682	1,481,320	1,407,198	868,585	543,245		6,077,030
Patronage Capital Allocated	(54,099)	(41,303)	(61,010)	(4,249)	(2,539)		(163,200)
Net Income from Subsidiaries	(3,925,268)	(1,166,751)	0	(515,421)	0	5,777,197	169,757
Amortization of Investment Tax Credit	0	0	0	0	0		0
Accrued Interest and Dividend Income	(25,078)	(2,577)	0	0	0		(27,655)
Gain on Retirement of Capital Credits	37,027	0	0	0	0		37,027
Gain (Loss) on Sale of Investments	0	0	0	0	0		0
Gain (Loss) on Sale of Equipment	0	0	0	44,506	0		44,506
Salvage Materials from Retired Plant	115,893	124,160	47,209	0	0		287,262
Changes in Operating Assets and Liabilities							
(Increase) Decrease in Telecomm. Accounts Rec	293,679	48,436	20,663	(39,482)	32,930		356,226
(Increase) Decrease in Materials and Supplies	(73,550)	117,194	0	31,322	6,187		81,153
(Increase) Decrease in Other Accounts Rec.	(97,148)	0	1,864	0	0		(95,284)
(Increase) Decrease in Interest Receivable	86,431	59,342	19,011	10,250	(549)		174,485
(Increase) Decrease in Income Tax Receivable	(105,415)	0	0	0	0		(105,415)
(Increase) Decrease in Prepayments	(20,603)	(9,873)	(9,411)	(10,621)	(10,651)		(61,159)
(Increase) Decrease in Related Party Receivables	(120,101)	104,818	13,558	(163,802)	(490,298)	621,639	(34,186)
(Increase) Decrease in Deferred Tax Asset	0	0	0	(137,868)	0	0	(137,868)
Increase (Decrease) in Accounts Payable	(214,591)	(172,227)	(149,070)	666,506	(42,362)		88,256
Increase (Decrease) in Related Party Payables	(74,097)	190,558	(32,037)	540,738	(3,523)	(621,639)	0
Increase (Decrease) in Consumer Deposits	109	(2,738)	874	(1,595)	7,875		4,525
Increase (Decrease) in Accrued Taxes	(30,668)	(2,432)	14,001	9,674	0		(9,425)
Increase (Decrease) in Other Accrued Liabilities	110,339	35,638	16,365	1,422	0		163,764
Increase (Decrease) in Advanced Billing	(701)	17,975	0	(147)	0		17,127
Increase (Decrease) in Accrued Interest Payable	(6,225)	(7,225)	(9,416)	906	0		(21,960)
Increase (Decrease) in Income Taxes Payable	(105,538)	0	0	0	0		(105,538)
Increase (Decrease) in Def. Income Taxes Pay.	0	(401,616)	(51,882)	(245,837)	(92,380)		(791,715)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,728,136</b>	<b>2,336,933</b>	<b>2,844,843</b>	<b>2,544,991</b>	<b>653,868</b>		<b>11,108,771</b>

NEMONT TELEPHONE COOPERATIVE, INC.  
SCHEDULE III  
CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2001

	NEMONT TELEPHONE COOP, INC.	PROJECT TELEPHONE COMPANY	VALLEY TELECOMM. INC.	NEMONT COMMUN. INC.	SAGEBRUSH CELLULAR INC.	INTERCOMPANY ELIMINATIONS	NEMONT TELEPHONE CONSOLIDATED
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of Investments	\$ (5,000)	\$ (1,014,810)	\$ 0	\$ (1,327,931)	\$ 0	1,000,000	\$ (1,347,741)
Collections from Investments	2,930,367	2,807,749	1,175,669	319,330	4,321		7,237,436
Construction and Acquisition of Plant	(861,708)	(2,247,260)	(419,643)	(3,067,374)	(225,268)		(6,821,253)
Proceeds from Sale of Equipment	6,640	10,500	0	0	0		17,140
Proceeds from Sale of Investments	0	0	0	0	0		0
Advances on Notes Receivable	0	0	0	0	0		0
Collections on Notes Receivable	0	0	0	77,566	0		77,566
Capital Contributed to Affiliates	(75,000)	0	0	0	0		(75,000)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1,995,299</b>	<b>(443,821)</b>	<b>756,026</b>	<b>(3,998,409)</b>	<b>(220,947)</b>		<b>(911,852)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Debt Reduction - Long-term	(1,228,143)	(985,902)	(940,582)	0	0		(3,154,627)
Proceeds from Sales of Stock	0	0	0	1,000,000	0	(1,000,000)	0
Patronage Capital Retired	(1,213,317)	0	0	0	0		(1,213,317)
Receipt of Excise Tax Refund	13,647	0	0	0	0		13,647
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(2,427,813)</b>	<b>(985,902)</b>	<b>(940,582)</b>	<b>1,000,000</b>	<b>0</b>		<b>(4,354,297)</b>
<b>NET INCREASE IN CASH</b>	<b>2,295,622</b>	<b>907,210</b>	<b>2,660,287</b>	<b>(453,418)</b>	<b>432,921</b>		<b>5,842,622</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,463,965</b>	<b>2,513,339</b>	<b>2,215,091</b>	<b>802,287</b>	<b>1,040,450</b>		<b>11,035,132</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 6,759,587</b>	<b>\$ 3,420,549</b>	<b>\$ 4,875,378</b>	<b>\$ 348,869</b>	<b>\$ 1,473,371</b>		<b>\$ 16,877,754</b>
<b>SUPPLEMENTAL DISCLOSURES - NON-CASH INVESTING AND FINANCING ACTIVITIES</b>							
Interest Paid	\$ 742,834	\$ 849,095	\$ 593,753	\$ 1,061	\$ 4,379		\$ 2,191,122
Income Taxes Paid	\$ 185,975	\$ 365,388	\$ 925,591	\$ 313,710	\$ 249,704		\$ 2,040,368



**CHMS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067  
104 Second Avenue S.W.  
Sidney, Montana 59270  
406-482-2092  
1-800-676-2467  
FAX 406-482-2095

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON THE INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors  
Nemont Telephone Cooperative, Inc.

We have audited the financial statements of Nemont Telephone Cooperative, Inc. and its subsidiaries, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 8, 2002. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Nemont Telephone Cooperative, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

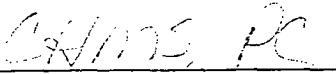
### Internal Control Over Financial Reporting

In planning and performing our audits we considered Nemont Telephone Cooperative, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other

Board of Directors  
Nemont Telephone Cooperative, Inc.  
Internal Control Over Financial Reporting  
Page 2 of 2

matters involving the internal control over financial reporting which we have reported to the management of Nemont Telephone Cooperative, Inc. in a separate letter dated May 7, 2001.

This report is intended solely for the information and use of the board of directors, management, the Rural Utilities Service, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



CHMS, P.C.  
Certified Public Accountants  
Sidney, Montana

February 8, 2002

**EXHIBIT "F"**  
**Draft of proposed Management Agreement**

**DRAFT 1**

MANAGEMENT SERVICES AGREEMENT

THIS AGREEMENT made and entered into as of the \_\_\_ day of \_\_\_\_\_, 2002 by and between:

Nemont Telephone Cooperative, Inc., a Montana corporation whose office is located in Scobey, Montana (hereinafter known as "Nemont Telephone") and Missouri Valley Telecommunications, Inc., a subsidiary of Nemont Telephone Cooperative, Inc. (hereinafter known as Valley").

WITNESSETH:

WHEREAS, Valley has been organized for the business of providing telecommunications services; and

WHEREAS, Nemont Telephone has officers, personnel and employees who are familiar with and experienced in the operation and management of telecommunications properties, and is qualified to provide certain necessary management, professional, financial, technical and advisory services to the managements of Valley to achieve the most efficient and purposeful operation of Valley, and

WHEREAS, Valley desires and Nemont Telephone is willing to furnish services upon the terms and conditions set forth in this agreement.

NOW THEREFORE the two parties agree that Nemont Telephone may provide, and Valley may purchase the following services, to wit:

- A) Executive Management: Advice, assistance and direction in management goals, methods and procedures including but not limited to studies, surveys, seminars, reports, recommendations, suggestions and directions covering all phases of management and operational policies.
- B) Professional and Technical: Advice, assistance, direction and services relating to accounting and tax policies, practices and procedures; to organization structure and personnel matters; to marketing and cost studies; to engineering services; to public relations and stockholder relation matters; and in the preparation of all required reports for government or financial bodies, et al.
- C) Clerical Services: Provide secretarial, typing and other office clerical services as requested or required by Valley in addition to the above.
- D) General: Make available services in the area of construction, planning and supervision, design operations, facilities maintenance, management programs, quality

assurance, licensing matters, research and development, data processing and other procedures.

- E) Advisory Services: Advice, assistance and direction in other matters in any and all areas mentioned above, and any and all other services available or to be available, as requested or required by Valley in addition to the above.

NOTHING HEREIN contained shall relieve the officers and directors of Valley or other companies using said services from the performance of their respective duties or limit the exercise of their powers as prescribed by law or otherwise.

- A. All such services as referenced above provided by Nemont Telephone for the account of or benefit of Valley shall be charged directly to Valley on the basis of:
1. Time sheets maintained by officers and employees of Nemont Telephone showing the time spent for work performed, and the nature of the services rendered;
  2. Expense vouchers describing the expenditures in reasonable detail.
  3. Invoices or documentary evidence which shall describe the particular service or services in reasonable detail.

When Nemont Telephone subcontracts services to a third party, including, but not limited to, auditing, legal, engineering and cost study, the costs accruing thereto will be billed to Valley, either directly by the subcontractor, or flowed through Nemont Telephone with no markup or overhead added.

The costs incurred by Nemont Telephone shall be those necessary or incidental to providing the services requested or required by Valley. Billing will provide sufficient detail for evaluation and proper account.

The costs of services performed by Nemont Telephone under this agreement include, without limitation, to the extent of actual costs incurred, for:

1. Salaries, wages, fees, and other compensation, including related benefits, of personnel performing the services;
2. Travel and other expenses of such personnel;
3. Costs of house service (telephone, rent, heat, light, electric service, etc.);

4. Depreciation and/or rental on all office furniture and equipment, vehicles, computers and other specialized equipment required in performing the services;
5. All reasonable maintenance charges on office furniture and equipment, vehicles, and other specialized equipment used in the performance of these services;
6. All postage charges and all costs of forms, envelopes, stationery or other office supplies used in performing the services;
7. Insurance, including public liability, fire and extended coverage, vehicle and costs of meeting workmen's compensation requirements;
8. Property, franchise and occupation taxes;
9. All payroll taxes levied by federal, state, city or other taxing authorities applicable to employees engaged in performing the services;
10. All sales or use taxes levied on the services sold;
11. A reasonable rate of return, based on what other similar managerial, technical and professional firms are earning when providing the services required by this Agreement;
12. All other costs directly related to the performances of the services rendered;
13. When Nemont Telephone shall incur costs, other than wages or compensation, accruing only to Valley, Nemont Telephone shall attempt to have provider, subcontractor and/or agency bill such cost directly to Valley.

Nemont Telephone shall provide monthly billing to Valley in sufficient detail for Valley to verify charges.

TRANSFERS of fixed assets from Nemont Telephone to Valley shall occur at the lower of market value or net book value. Conversely, transfers of fixed assets from Valley to Nemont Telephone shall occur at the lower of market value or net book value.

THIS AGREEMENT shall be effective as of \_\_\_\_\_ and shall be binding on the parties hereto and their assigns, representatives and successors. The term of this Agreement shall be perpetual unless sooner terminated by sixty (60) days prior written notice of their party to the other.

No change, alteration, modification or addition to this Agreement shall be effective unless in writing, properly executed by the parties hereto, and approved by any affected regulatory body.

Failure to enforce or insist on compliance with any of the terms and conditions fo this Agreement shall not constitute a general waiver or relinquishment of any such terms or conditions but the same shall be and remain at all times in full force and effect.

THIS AGREEMENT constitutes the entire Agreement between the parties hereto and the parties acknowledge and agree that neither of them made any representations with respect to the subject matter of this Agreement or any representation including the execution and delivery hereof except as specifically set for herein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed in their respective corporation names by their duly authorized officers and their corporate seals to be hereunto affixed and attested to by their respective Corporate Secretaries, all as of the day, month and year first above written.

WITNESSES

NEMONT TELEPHONE COOPERATIVE, INC.

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

MISSOURI VALLEY TELECOMMUNICATIONS,  
INC.

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

PU-2779-02-452

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Richard Thronson  
 Missouri Valley Comm  
 PO Box 600  
 Leakey Mt 59263-0600

2. Article Number  
 (Transfer from service label) 7099 3220 0002 8482 3087

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
 Addressee  
 X Valerie Lunderaen

B. Received by (Printed Name) Valerie Lunderaen  
 C. Date of Delivery 9-10-02

D. Is delivery address different from item 1?  Yes  
 No  
 If YES, enter delivery address below:

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes